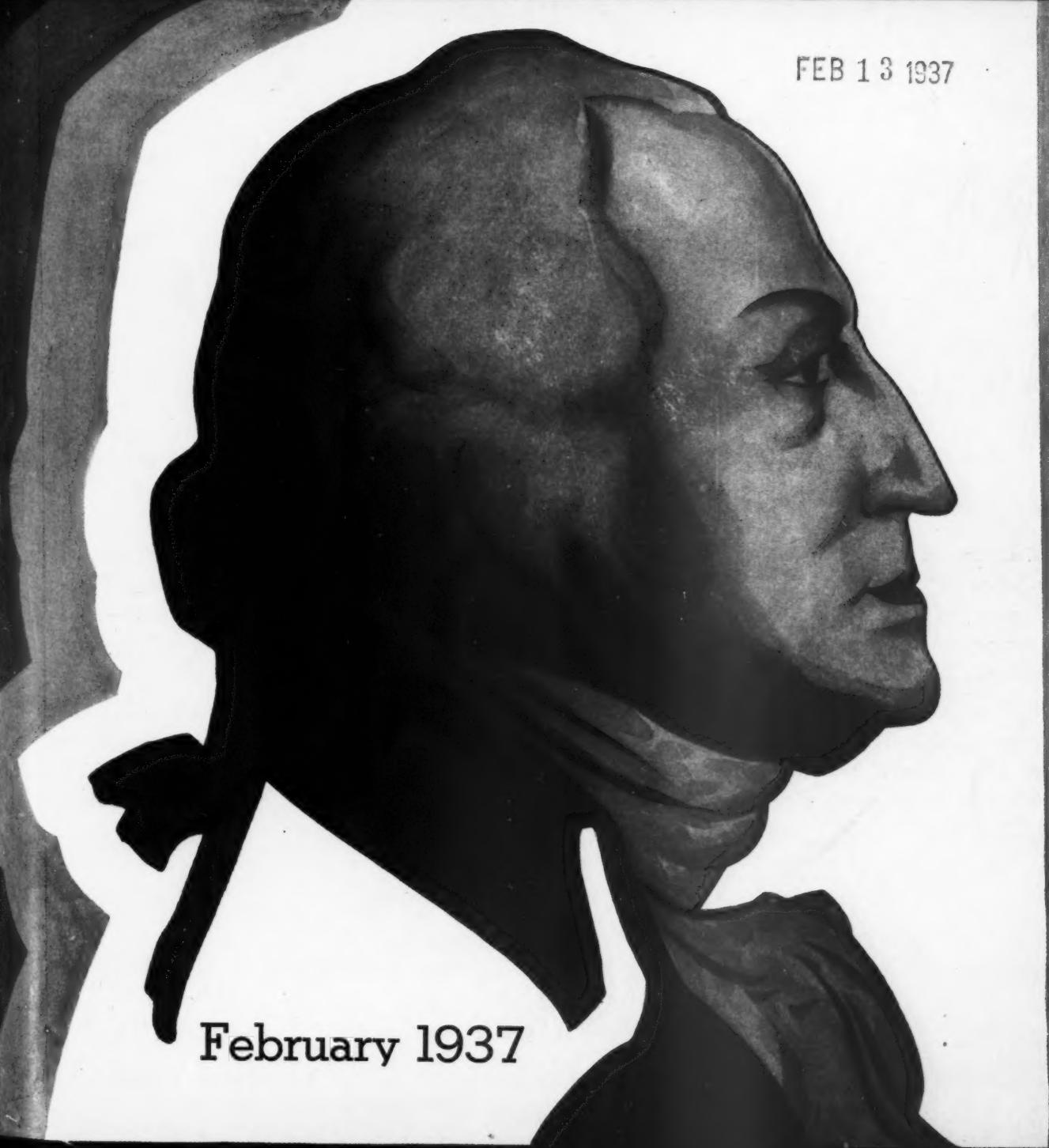


# CREDIT

*and*  
Financial Management

FEB 13 1937



February 1937



## TRAGEDY—but for One Man's Vigilance

"Jim," moaned the President, "they waited a long time before getting us, but when they did, they certainly got a good haul. Poor Sweeney's in the hospital—and our payroll's gone to the last dollar. Biggest one in years, too! We could never meet one that size *twice in one week!*

"Cheer up, Bill—it's hard luck for Sweeney," returned the Treasurer, "but it would have been tragic for us except for *one man's vigilance*. When he read

*Consult your Agent or Broker as you would your Doctor or Lawyer*

about our hiring more men—realized that smart criminals get their tips from just such news—and insisted we needed a Paymaster Robbery Policy—we were pretty hard to convince. But he certainly did us a service. We are fully protected."

The *one man* of this story was a U. S. F. & G. representative—one of 9,000 agents. Look in the telephone book for the name of the local U. S. F. & G. agent. He is an able counselor on insurance protection.

# U. S. F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY with which is affiliated FIDELITY & GUARANTY FIRE CORPORATION

HOME OFFICES, BALTIMORE



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Strength «» Reputation «» Service

# CREDIT

*and*

## Financial Management



### Contents for **FEBRUARY, 1937**

The heart of credit.....	HENRY H. HEIMANN.....	3
Exit par-payment of checks?.....		4
Will Congress license corporations?.....	C. F. BALDWIN.....	6
More opinions.....		8
\$25 for the best letter.....		10
Make your credit letters sell.....	ALINE E. HOWER.....	11
No time for fires now!.....	JOHN F. GILLIAMS.....	13
Tax tips.....	W. H. HOTTINGER, JR.....	16
Tregoe contest judges named.....		17
Latin-American survey.....	W. S. SWINGLE.....	18
Meet Mr. Mason or Marr or Macy, etc.....	G. P. HORN.....	20
Development Program approved.....		22
The business thermometer.....		24
This month's collectors.....		28
CAPITAL LETTERS.....		30
Office-ally .....		34
Credit Q's and A's.....		38
Court decisions.....		40
News About Credit Matters.....		41

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# The heart of credit

**C** The need of flood control to prevent our rivers from overflowing their banks has been dramatically emphasized in recent weeks. For the credit executive there is in this situation a moral of great importance.

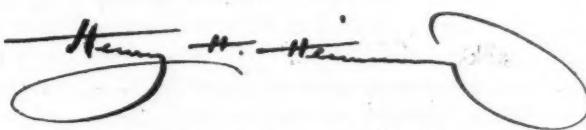
The credit executive is only too well acquainted with the problems that develop when the commercial stream of credit is allowed to overflow its banks. He has during the past decade seen a flood of prosperity wash out the foundations of many business organizations which, in a day of "easy come—easy go," developed an indifference to sound fundamentals. He has seen the low waters of depression bring drought and undernourishment to business organizations, whose health had been undermined by years of excess and who could not tighten their belts and survive.

In all these instances the credit executive has noted one fact of supreme importance: the firm which possesses such character that it will control itself in the fat years, will also know how to apply the policies necessary for survival in the lean years.

Be it a flood in the Ohio Valley or an overflowing of the commercial stream of credit, he knows that character is immovable. Capital may be washed away. Capacity may be temporarily lacking. But character survives and helps survive. Character is, in fact, the heart of credit.

It is not surprising, therefore, that during this recent catastrophe, credit men relied less on statements of financial standing and made little inquiry about capacity. They scrutinized character. Where character was sound, credit was generally accepted. Orders were forwarded and liberal terms were granted because previous experiences revealed that firms of character will always discharge their obligations.

In this way the credit executives of the nation evidenced their sympathy for those in the stricken area. They showed, in a time of disaster and contrary to the beliefs of many, that the spirit which characterized the neighborliness of the old-fashioned barn-raising still survives.

A handwritten signature in black ink, appearing to read "Henry H. Heim". The signature is fluid and cursive, with a large, stylized "H" and "H" at the beginning.

Executive Manager, N.A.C.M.

# Exit par-payment of checks?

**N** Older NACM members recall the campaign so successfully waged in 1917 and 1918 for the payment "at par" of all bank checks. Perhaps a smaller number of NACM veterans recall the days when remittances were made by bank draft or by checks with exchange added. During these past eighteen years financial executives have come to look upon all checks as representing full face value or so much cash in the "till."

Becoming operative on the first of February, 1937, a new situation is presented which should have the immediate and careful consideration of every member of the National Association of Credit Men. One of these days you may receive notice from your bank that it is charging your account for exchange on a check because the bank on which the check is drawn does not pay its checks at par.

It would not be difficult to picture you as you tilt back in your chair, adjust your spectacles and audibly murmur to yourself, "What the blazes is this now?"

During the last months of 1935 the Federal Reserve Board in Washington revised its regulations governing the payment of interest on deposits. These became effective on January 1, 1936. However, the effective date of one of these regulations (Subsection F of Section 1, Regulation Q) was postponed until February 1, 1937. This Subsection F reads as follows:

*"The term 'interest' means a payment, credit, service or other thing of value which is made or furnished by a bank as consideration for the use of the funds constituting a deposit and which involves the payment or absorption by the bank of out-of-pocket expenses (i. e., expenses arising out of specific transactions for specific customers and definitely attributable to such transactions as distinguished from overhead and general operating expenses), regardless of whether such payment, credit, service or other thing of value varies with or bears a substantially direct relation to the amount of the depositor's balance."*

*"The term 'interest' includes the payment or absorption of exchange and collection charges which involve out-of-pocket expenses, but does not include the payment or absorption of taxes upon deposits whether levied against the bank or the depositor nor the payment or absorption of premiums on bonds securing deposits where such bonds are required by or under authority.*

*"Notwithstanding the foregoing, the payment or absorption of isolated items of out-of-pocket expense in trivial amounts and not of a regularly recurrent nature, where the charging of such items to customers would cause undue friction or misunderstanding will not be deemed to be a payment of interest, provided that the bank acts in good faith and does not utilize the absorption of such items as a basis for soliciting accounts or obtaining an advantage over competitors and provided further that the bank maintains and makes available to the examiners authorized to examine the bank a record showing the amounts of such items paid or absorbed by it, the dates of such payment or absorption and the names of the customers for whom such items were paid or absorbed."*

All banks enrolled as members of the Federal Reserve System will continue to pay checks drawn against them at par, when received from the Federal Reserve Bank of which they are a member. Many non-member banks also pay their checks at par. However, here is a situation which may prove bothersome to financial executives and which makes it urgent that every quotation of sales terms should hereafter include the phrase "payable at par."

The regulation which provides for payment at par of checks drawn on Reserve member banks when presented through their Federal Reserve Bank also prohibits Federal Reserve Banks from handling checks which are not payable at par. Some banks have been "clearing" their checks drawn on non-par banks through a Reserve member bank or other "at par" institution. The exchange items on these clearances have been absorbed by the "at par" banks

or the Reserve member banks as an inducement for getting the accounts of their correspondent banks. Under these new regulations, however, the Reserve member bank is not permitted to absorb this exchange.

So, as stated above, if your customer's bank does not pay its checks "at par" it will be necessary for you to write to your customer and ask for a new remittance by a check or draft payable at par.

As stated, however, members of the Federal Reserve System will continue to pay their own checks at par. Many other non-member banks also will continue to pay their checks at par. Your bank can supply a list of banks whose checks are payable at par.

The only federal regulation on non-member banks is by the Federal Deposit Insurance Corporation. The F. D. I. C. board has ruled that Congress did not give it power to make regulations requiring the payment of checks at par.

It is suggested that every financial executive should discuss this situation with the banks used by his companies at the earliest moment. For the present there is little likelihood that more than an occasional remittance check will not be in the "at par" classification. But it is important that every N.A.C.M. member should take these three steps at once:

- (1) Be sure that your quotations of trade terms call for payments at par.
- (2) Decide what policy your company will follow on remittances which are not payable at par.
- (3) Consult with your bankers about the new situation and keep informed about developments in this regard during the next few months.

The experience of business men during the past 18 years, when most checks have cleared at par, is all too valuable to let pass without close study and preparation to meet this situation, which might prove costly to business.



# LONG DISTANCE RATES REDUCED AGAIN!

**ON JANUARY 15, 1937**

EIGHT reductions in about ten years have substantially cut the cost of Long Distance telephone service.

The latest reduction in Long Distance rates became effective January 15.

Many interstate rates, for calls of more than 42 miles, are reduced. These reductions apply to all day and to many night and all-day Sunday rates for such calls.

The reductions for the first three minutes range from 5c to \$1, depending on distance.

It costs less now to do business in distant cities—quickly, personally. It's easier for far-apart friends to keep in close touch.

Sample rates listed below indicate the downward trend during the last decade. Quality of transmission and speed of service have been markedly improved in the same period. The average time required to establish a Long Distance connection was over five minutes in 1926 — is less than a minute and a half today.



## HOW LONG DISTANCE RATES HAVE BEEN CUT AS THE RESULT OF 8 REDUCTIONS IN THE LAST 10 YEARS:

RATES FOR 3-MINUTE DAYTIME CALLS		Station-to-Station		Person-to-Person	
From	To	January 15, 1926	Jan. 15, 1937	January 15, 1926	Jan. 15, 1937
Cleveland	Detroit	\$ .65	<b>\$ .50</b>	\$ .80	<b>\$ .70</b>
New York	Washington	1.35	<b>.85</b>	1.65	<b>1.20</b>
Chicago	St. Louis	1.70	<b>1.00</b>	2.10	<b>1.35</b>
Detroit	Washington	2.50	<b>1.30</b>	3.10	<b>1.75</b>
Philadelphia	Asheville	3.15	<b>1.55</b>	3.90	<b>2.05</b>
Buffalo	Nashville	4.15	<b>1.95</b>	5.15	<b>2.60</b>
Chicago	Dallas	5.05	<b>2.30</b>	6.30	<b>3.00</b>
Boston	New Orleans	8.60	<b>3.75</b>	10.75	<b>4.75</b>
Baltimore	Salt Lake City	11.90	<b>5.00</b>	14.85	<b>6.75</b>
New York	San Francisco	16.50	<b>6.50</b>	20.60	<b>8.75</b>

\* Night and all-day Sunday rates are still lower.

When writing to advertisers please mention Credit & Financial Management

# Will Congress license

**E** Sharing the center of the Congressional stage with the questions of neutrality and governmental reorganization, is the development of legislation designed to carry out the basic economic policies of the Administration. In view of the references concerning the objectives of the N.R.A. in President Roosevelt's recent address to Congress, it is regarded in Washington as almost certain that another approach to those objectives will be made during this session of Congress. In addition to legislative proposals which may reflect Administration views, Congress will, of course, receive many bills embodying policies which may or may not be favorably regarded by the Administration.

The form which the Administration's approach to the objectives of the N. R. A. will take is still indefinite. From present indications in Washington it would appear that a broadening of the Federal Trade Commission is likely, together with a continuance of efforts to guarantee to labor the right of collective bargaining, possibly some legislation governing hours of work, and increased control by the government of certain practices in the fields of investment and corporate financing.

One device which has been proposed in some quarters to extend the government's powers over commerce and industry is a federal license for corporations and three bills providing for such licenses have been introduced in Congress at the date of this writing.

Whatever the fate of these bills may be their formal presentation and the fact that federal licensing of corporations in interstate commerce is understood to be receiving serious consideration in Washington, strongly justify the most careful study of the bills by all business executives. It is for that reason and also because one of the bills contains certain provisions which are definitely of interest to credit executives, that the following brief analyses of the bills are presented below:

## The O'Mahoney Bill

One of the most far reaching examples of business control legislation

ever presented in Congress was introduced in the United States Senate on January 6th by Senator O'Mahoney of Wyoming. This bill, known as S.10, would establish a federal licensing system to govern all corporations engaged in interstate commerce and would extend the power of the Federal Government over such corporations in connection with wages and hours of work, child labor, unfair trade practices and many details of corporate organization and financing. The general objectives of the bill resemble those of the National Industrial Recovery Act although in many respects the bill goes much farther into the regulation of business by the federal government.

This bill consists of four titles:

Title I commences with findings of fact and declaration of policy which, among other things, point to the nation-wide activities of many corporations and assert the right and duty of Congress to control all corporations in interstate commerce by means of a

by **C. F. BALDWIN, Manager,**  
**Washington Service Bureau**

national system of incorporation. The wording of this part of the bill which describes the activities of corporations engaging in interstate commerce is obviously designed as an argument to justify the granting of powers proposed in the bill under the Commerce Clause of the Constitution. Incidentally, the measure contains a definition of interstate commerce which contains the following words "the collection of raw materials and equipment in commerce for the production and the production of any article or commodity to enter the flow of, or which affects commercial intercourse with foreign nations or among the several states . . . and the sale or transportation of any article or commodity so produced as above defined to retail dealers in any state."

This title of the bill also provides for an increase of the Federal Trade Commission from five to nine commissioners; one of the additional four commissioners to be appointed from a

list submitted to the President by a "recognized national organization of employees", one from a list of a "recognized organization of employers", and one to represent the "consuming public". This augmented Commission is instructed to develop a general program "for the coordination, stabilization and orderly development of the basic industries of the United States and for a more equitable distribution of the earnings of commerce, trade and industry to those employed therein and to the investor of capital therein" . . . It is also instructed to summon national industrial conferences, conduct investigations of industrial conditions and recommend minimum wages for classes of unskilled labor when it finds abuses in low-wage scales.

Title I of the bill declares it unlawful for corporations to engage "directly or indirectly in commerce" without first having obtained a license therefor from the Commission. It requires that such license and every corporate charter shall provide against discrimination of female employees, against all labor under sixteen years of age, for the right of employees to self organization and collective bargaining, against discrimination in regard to employment to encourage or discourage membership in any labor organization or restraint of employees in the exercise of the rights granted by the Act. It requires that the licensee shall comply with all the provisions of the National Labor Relations Act and that rates of pay shall be increased and hours of work reduced "in accordance with gains in the profits and in the productive efficiency of industry arising from increased mechanization, improvement in technological methods or from other causes."

To facilitate collective bargaining the Commission is authorized to "secure from licensees all relevant data as to production costs, prices and profits or as to other questions at issue, for the confidential use of the representatives of the employees or employers."

The bill empowers the Commission to prohibit dishonest or fraudulent trade practices or unfair methods of competition.

# interstate corporations?

Title I empowers the Commission to revoke licenses in the event of any violation of the conditions by the licensee. The Commission is authorized to investigate any strike, lock-out or other labor dispute involving licensees or their employees where police or other officers have been called out and to revoke the license of any licensee where the Commission finds that such licensee is "at fault" in said strike or other labor dispute and has caused directly or indirectly such police or other armed forces to protect or escort strikebreakers.

The bill requires that every contract entered into by the United States Government shall require the contractor to comply with all of the provisions of Title I of the Act. It prohibits the making of any loan or advance by any governmental agency subject to the provisions of the bill which has failed to obtain a license thereunder.

Title I also authorizes the Commission to impose requirements in connection with the keeping of reports, systems of accounts and similar matters of corporate procedure.

Title II contains certain stipulations regarding the organization of corporations including a requirement that the corporation must have its chief place of business, its executive offices and its regular meetings in the state under the laws of which it is organized. It provides that no corporation shall hold the stock of any other corporation unless it had power to do so on the date of the enactment of the bill and unless such other corporation is a subsidiary of the corporation. It stipulates that all stockholders shall have an equal right to vote the number of shares held by them, subject to any general limitation on the number of votes that may be cast by a single stockholder, notwithstanding any provision of the corporation's charter for the issuance of non-voting stock. It prohibits officers or directors of corporations from being stockholders of or employed in a corporation engaged in the same business or of any corporation which has advanced or loaned money or property to the corporation of which he is a direc-

tor or officer. It prohibits the granting of any bonus or commission in addition to regular compensation to be paid to any officer or director except by vote of the stockholders.

It requires that corporate stock shall be paid or payable in cash or in property or service upon authorization of a competent court and under court order finding that such stock has been or is to be issued on a fair valuation.

The bill contemplates a specific limitation of surplus of the corporation and requires the distribution as dividends of any excess surplus, although it is not definite with regard to the ex-

of Corporations." The purpose of this legislative creation is apparently to distinguish between the functions of the Federal Trade Commission in its administration of existing laws and the functions which it would have to perform under the proposed O'Mahoney Bill. In the remainder of the bill the phraseology refers to the Bureau of Corporations and to the Commissioner. It does not state whether the Commissioner of Corporations would be a member of the Federal Trade Commission, although presumably that would be the case.

This title authorizes any five or more persons to form a corporation to engage in interstate commerce, upon complying with the requirements of the Act. It stipulates in a positive manner and as prerequisites to the obtaining of a license, the various provisions to be incorporated in the corporation's articles of association to comply with previous sections of the bill, some of the most important of which have been referred to above. Such data would be submitted to the Commissioner of Corporations for his approval prior to the granting of a federal license to engage in business.

The provisions of this section of the bill are detailed and lengthy and require careful study. One of them is a requirement that no corporation formed pursuant to the Act shall purchase, acquire or hold stock in any other corporation, nor shall any corporation organized under the Act or under the laws of any state or foreign country carry on a similar business to that of a corporation formed under the Act, acquire or hold stock of such latter corporation.

Another section of this title requires that directors shall not be less than five in number, should be chosen annually by the stockholders and shall hold office for one year, or until others are chosen.

This title of the Act also contains lengthy provisions dealing with the capital stock and bonds of the licensed corporation. Among other things, it provides a procedure for increasing or decreasing capital (Cont. on page 36)

## Congress is back

and with it there is a renewal of interest by business men as to what is ahead for legislation. No one can completely predict the details but the trend can be ascertained by a study of proposed legislation.

Herewith, the manager of the N.A.C.M.'s Washington Service Bureau analyzes business control measures. In his "CAPITAL LETTERS" department in the latter portion of this issue, he touches on other legislation of interest to our readers.

act amount of such limitation.

Title II creates a new functionary to be known as a Corporation Representative who will be certified by the Commission and by the Civil Service Commission. Such Corporation Representative will be empowered to receive proxies of stockholders with respect to examination of the books and affairs of the corporation and the transaction of business at meetings of stockholders. The Commission is authorized to appoint as many Corporation Representatives in each state as it may find necessary.

Title III creates a "Bureau of Corporations" which is described as being the Federal Trade Commission. The chief administrative officer of this Bureau would be entitled "Commissioner

# More opinions—

## on the now famous "Memorandum" by a Sales Manager on the "credit department drag"

Judging by the number of letters and opinions received by the Editors, the Memorandum, which was first presented on page 7 of the December issue of **CREDIT AND FINANCIAL MANAGEMENT**, touched off a wave of discussion on the question of "competition" between the Sales and Credit Departments. Several opinions relating to this now famous "Memorandum" were printed in the January issue. The total number received up to January 15th would actually fill a considerable part of a whole issue. As we do not have the space available for printing all, the Editors have selected the following as presenting a variety of opinions:

by Ryland G. Bristow, Credit Manager, Lyon, Conklin & Co., Baltimore.

I have read, with very much interest, the Article on Page 7, of your December issue headed "Memorandum."

In order to obtain a clear prospectus of the author's point of view, it is first necessary to know the type of business to which he refers. However, speaking solely for my concern, I can say that his theory is all wrong.

Our economic system has changed greatly since the last depression. In the past, lower production costs played the stellar roles in industrial profits. Sales were pressed to the limit and a high degree of sales efficiency obtained. These two factors have been worked to the nth degree, and the logical and sure way to greater profits is through the cooperation of the Credit and Sales Departments.

Since 1933, we have educated our salesmen that collecting was a big part of their job, results of which have been two-fold. First, it has reduced greatly the bad debt losses of our company, and second, it has increased the profits to our salesmen.

In most companies, the more profitable customers are those who have

purely a moral risk and who, if given a chance to succeed, usually make permanent customers.

Where such a customer, however, starts in business with very little capital, it is quite difficult for the credit man to extend any reasonable line of credit.

In this connection, we instructed our salesmen in 1933 to solicit the business of such accounts, and to a certain degree, held them morally responsible for the prompt payment of our invoices.

We promoted this idea by sending out monthly bulletins, showing the total collections of each salesman compared with his sales, which created an incentive for each salesman to see that his job was a little better done than the other fellow's.

This method has made it possible for us to put many accounts on our books that would have necessarily been turned down due to no credit information.

The salesman has, in each case, agreed to give the customer a liberal line of credit, with a definite understanding that payments would be made promptly on each visit, and with very few exceptions these accounts are today in A #1 Shape.

The salesman has not only educated his customer how to conduct his business, but has made him more conscious of the necessity for him to collect his own accounts, and in the course of time he appreciates the friendly attitude and advice given by our representative.

To show you just how our salesmen feel about the matter, I am quoting a letter which I received from one of our representatives, under date of May 16th, 1936:

"Frankly, I did not fully realize, until 1934, the great part collections played towards sales, and wish to say that today I consider collections just as important as

making sales of merchandise.

"Close collections; my being quite frank with all new accounts as to their having to pay us within terms; and having no hesitancy of asking for money when due, has certainly increased my sales during 1935 and 1936."

The point of view of the executive who pens the "Memorandum" might be perfectly all right for a business that has no repeat orders. However, for a business which hopes to maintain a friendly relationship with its customers over a period of time, certainly cannot, in my estimation, assume the policy where the Sales Department should always be reckless with the company's credit and that the Credit Department should be always conservative.

Under such a policy the middle road might be reached, but in doing so, it is my frank opinion, that it is accomplished by the loss of what might have been a number of satisfied customers.

by James Caldwell, Vice President and Credit Manager, Van Hoogenhuyze Hdwe Co., San Antonio, Texas.

Is it the proper function of the Sales Department to get the maximum sales billed on the books?

Is it the proper function of the Credit Department to reject all sales but the "perfect credit risks"?

Is it the company's point of view that the Sales Department is always reckless with the company's credit? Should it be?

Is the middle of the road reached through a fight between the Sales Department and the Credit Department?

There seems to have been built up the idea of opposition between the Sales Department and the Credit Department to the point of tradition. When, as a matter of fact, in business generally there is no opposition, nor should there

be. The idea of opposition is a half truth.

The unity of purpose of the Sales Department and the Credit Department, that of reasonable profit for the business, eliminates the idea of opposition or any traditional enmity.

Every true credit man glories as much as the salesman in large volume of sales; so, too, every true salesman glories with the credit man in the small amount of uncollectable accounts.

The game of business, like golf, baseball and football, is played under prescribed rules. The same rules govern both departments, sales and credit. How can their purpose be anything but identical?

No salesman wants to sell a bill of goods he knows is not likely to be paid for, and no credit man wants to reject the sale of a bill of goods that is likely to be paid for. Given the same facts concerning a credit risk, and there will be no more difference between the salesman's judgment and the credit man's judgment than between the opinions of two credit men.

No well-handled sales department, no true salesman, can get any satisfaction from a flagrant violation of any rules of the game in order to register a high score of sales. What real joy could a golfer get out of defeating his opponent by deliberately violating the rules of the game?

Why continually recognize the existence of controversy between the Sales Department and the Credit Department? Why not deny it and thereby help destroy it.

It is largely fiction anyhow.

by Thomas F. Moloney, Credit Department, Stroheim & Romann, New York City.

"Open confession is good for the soul"—so goes an old and trite saying—and therefore in considering "The Memorandum," let us start with the premise of the Sales Department that the ordinary Credit Department is a damn nuisance and a brake on sales initiative—in many cases it is—so with this preamble we can now get down to the real business of analyzing "The Memorandum" and sub-dividing it into several phases, each to be analyzed differently.

The Memorandum can be construed as reflecting in a sense the attitude of

the management of the concern and so identified it would permit us to discuss the matter under three distinct headings, groupings or channels, these in turn could be entitled as

1. "Managerial Credit Policy"
2. "Destructive Credit Policy"
3. "Cooperative Credit Policy"

Taking these policies in the order aforesigned, let us discuss each under its own title heading:

Managerial Credit Policy is that policy which reflects principally the ideas of the owners, whether it be single ownership, partnership or a cooperative body, as to credit. The policy is rarely fixed; mostly it is in a state of flux. If times are good, it is liberal and if times are bad, stringent. The Credit Department under such conditions generally operates in name only and is in nearly all cases vacillating and lacking in initiative. This type of a Credit Department develops a finesse in "passing the buck" that is most amazing for experience has shown to it that if the Credit Department attempts to determine a fixed method of operation, or to insist on a fixed policy, that a number of customers will invariably go over the head of the Credit Department to the ownership, and the ownership will generally follow the dictum "The customer is always right," and settle the matter in a way that while pleasing to the customer, irrespective of the merits of the case, does not enhance the prestige of the concern or the Credit Department.

Credit Departments of this type while still common are becoming rapidly extinct. As Credit Departments they rarely amount to much more than being a Bookkeeping and Collection Division.

Those of us, who have had the privilege of checking credits for several decades, can well remember the old time cartoons, depicting a Credit Manager as a grim visaged individual, sitting in a corner, and clutching firmly in his right hand a large stamp showing in distinctive letters the piscine emblem C. O. D. and daring anybody to prove worthy of credit.

Very happily in a large measure, this type of individual has gone the way of the "Dodo" and the "Brontosaurus," but unfortunately to replace him there has arisen an autocratic, despotic type of individual, who may combine the duties of an officer of a Corporation,

a Partner, etc., with that of the Credit Manager and arrogate to himself certain arbitrary powers as to credit and be able to impose his judgments, whether or no,—good or bad on a Sales Department, with the result that he can undo more good will than any ten salesmen can develop, for no matter how fine the merchandise is or how good the service rendered may be, the arrogant type of Credit Department by its "monkey-wrench in the machinery" attitude can stiffen the grade considerably for salesmen.

Such a Credit Department no matter how efficient its methods may be of bookkeeping and collection is an unmitigated nuisance and will be so regarded by any Sales Department, or any group of salesmen. Happily, however, the Credit Departments outlined in the two foregoing are in the minority. Progressive management today demands, and has every right to expect that its main sinews of business strength, its Sales and Credit Departments show a reciprocal cooperative spirit.

Any one who has visited one of the National Rifle Ranges, a precision tool shop, a great factory of any kind, where highly skilled workmen accomplish technical tasks accurately and expeditiously, could not but have his thoughts dwell on the fact that the skill of the marksman and the workman are but fruit of cooperation on the part of scientists, engineers and research organizations who through their cooperation tend to produce a perfect result. So too in the matter of a mercantile establishment, its Sales Department and its Credit Department both working together for the best interests of their establishment and subordinating on the part of the Sales Manager and the Credit Manager the human ego to be "The Cock of the Walk."

Such a pair working in complete harmony can develop sales possibilities and credit possibilities to their fullest fruition, and will help any group of salesmen in their endeavors, for it is only natural when salesmen are sent out over a territory they will, as is only human, skim the cream in good times, and give most attention to the best firms—in bad times, those concerns which are classed as the best are over-solicited. The result is that the salesmen's efforts are not directed to any particular channel.

If, however, the Sales Manager and the Credit Manager sit down and analyze territory, calculate as far as possible, the ability of the particular locale to absorb a maximum of their products and then take all the dealers or users of their merchandise in the territory, those they have sold and those they have never done business with, analyze them as to desirability as to customers, and then segregate them into classifications, as to financial responsibility; the result will be that the salesman can be handed a route for him to cover, so that when he goes into a particular town, he will know in advance just what approach to present a definite prospect. He will know, as far as possible, the background of the concern from a financial viewpoint, their habits and their customs.

Let us consider the possibilities of the SALES AND THE CREDIT DEPARTMENTS acting in close co-

operation in the matter of "SALES VOLUME." If the regular run of sales amounts annually to \$1,000,000 and such sales are made at normal profit in the regular way, but there exists in the plant the possibility of expansion of products to \$1,500,000 without undue increase in cost of overhead, this increase in production can be sold by the present sales force without increase in number of men, but with an increasing risk in credit loss.

The Credit Department can in conjunction with the Sales Manager make a survey of proposed new distributive outlets and can allocate for the Sales Manager's guidance definitely proportioned amounts to territories; such amounts to be sub-divided in each respective territory into three credit classifications. Naturally, where such volume sales are in the picture, close co-operation between both Departments

is absolutely essential, in view of the higher credit risk to be spread over a broad distributive base, the risk in the various classifications can be minimized. It is desirable that such risk should be closely controlled, and done so, in a special way.

Close co-operation of this type between the Sales Manager and the Credit Manager insures complete success to both Departments, for they are then working with the one single thought—the best interest of their concern.

Collaboration, as outlined in the foregoing, on the part of both respective Managers, Sales and Credit, will develop in their establishment a "Esprit de Corps." It will make for a happy and contented personnel, free from petty jealousy and frictions. The possibilities that are open for mutual good to the Sales and Credit Department are unlimited.

## \$25 for the best letter

Here's a chance to win \$25—a tidy sum to add to your expense money for the N.A.C.M. Convention in Chicago next June.

Collection letters are important in credit work, but executives frequently are called upon to write other letters of great importance to their firms.

How would you as the financial executive of your firm handle a case such as this:

**Your terms of sale are 2%—10 days—Net—30 days. One of your best retail outlets in the central west insists upon taking the cash discount on his mid-month and end of month remittances. This dealer has just sent in his check for the amount of a large stock order. The discount period expired on the 5th. His check, less the 2% discount, was dated as usual on the 15th. You have written several letters calling attention to your terms but this dealer has ignored them. In this case the cash discount amounts to more than \$100.**

What letter would you write to this customer covering this case?

The best letter will be selected by a Committee of three composed of the following:

L. J. Bradford, Treasurer, The Lunkenheimer Co., Cincinnati, Ohio, Vice President of the National Association of Credit Men, and Chairman of the National Publications Committee.

H. E. Robb, Credit Manager, Oster Mfg. Co., Cleveland, Ohio.

R. G. Tobin, Editor of Credit and Financial Management.

Letters entered in this contest must be postmarked not later than March 10th. Send your solution on your firm's letter-head to Credit and Financial Management, 1 Park Avenue, New York.

A check for \$25.00 will be mailed to the winner of this contest and the prize winning letter will be published in the May issue of Credit and Financial Management.

To the authors of the five letters deemed next best, a copy of the 1937 edition of Credit Manual of Commercial Laws will be sent. These letters will also be published in the May issue.

This contest is open to any subscriber to Credit and Financial Management.

*Submit your contribution upon the stationery of your firm—before March 10th!*

# Make your credit letters sell

by ALINE E. HOWER, Letter Counselor, St. Louis, Mo.

**S**It was October, the loveliest season of the year in a large Midwest city. The sky was an even blue, while sunbeams splashed through the thinning, crisp, brown leaves, carrying a few of them earthward with each warm impact.

And that was not all—

As I proceeded on my way, I had the pleasant prospect of an interview with a good friend, the credit manager of one of my clients.

His smile of welcome was more cheering than the out-of-doors as he shoved out his hand, while I passed a gay military salute to his young secretary seated a few feet away.

Then, motioning me to a chair, his eye alighted on a letter he had just been reading.

"You and I are on the spot!" he said, handing it to me. It was a carbon copy of a collection letter written by one of his assistants and bore a pencilled notation signed by the Sales Department—"We don't like this letter—it questions the customer's honesty." For just a second, the sunshine didn't seem quite so bright. I read the letter carefully—

## *The Letter Under Fire*

Once in a while we judge a person wrong. It is probably because we are too optimistic and put too much faith in our fellow men.

We have begun to believe that such has been the case with you, because you have not even replied to the letters we wrote you regarding payment of your account.

We don't want to be accused of coming to conclusions too hastily, so will wait until December 9.

Your check will settle the matter. It is now up to you.

A little sharp? I've learned not to judge a credit or collection letter without the facts, so I enquired whether we might look at the files. He gave a prompt order that they be brought to his desk.



The account was ninety days old, had a blank rating, had previously been sold c. o. d., and had received eight statements and four letters before the letter in question has brought a check for \$75.60!

My friend, the credit manager, grinned across the desk at me.

"I'll tell 'em," he said, "and I'll add that you not only think this letter is all right, but you are PROUD to have OUR department in your letter-improvement program!" Which was quite agreeable with me, though the Sales Manager is my boss, too. A very similar letter, used as a form letter by a member of one of our Credit Association Letter-Writing Clinics currently pulls 60% results and retains the customer's friendship, a particularly high percentage for that or any other type of collection treatment!

Credit executives today are decidedly "sales-conscious." Of the one I had been talking to, the president of his company has said more than once, "Our Credit Manager is the best salesman we have!" And the firm's customers not infrequently send him their orders! "Bill," more than one customer in difficulty has said, "you're such a square shooter that I'm going to pay this account."

I find as I go about many firms

over the country, that the credit manager of today, up-and-coming, eager to have and give the best ideas available, is willing to grant as MANY, not as few, credit privileges to the firm's customers as possible. He resembles in no way the outworn notion of the "hard-boiled" credit man, though he is courageous when the occasion demands action.

Cheerfulness, naturalness, patience, kindness, humility, unselfishness, and sincerity are his characteristics, and he has little or nothing to do with gloom, irritation, high-handedness, or perfunctoriness. He has his "feet on the ground and his head in the clouds" as the saying is.

Credit situations offer remarkably fine opportunities for building friendships with customers. Here is just one of the countless thousands of cases that come up every day, where the Credit Manager saved a sizable order by writing a friendly letter:

## *Part Cash-In-Advance, Rest C. O. D.*

Thank you very much for supplying that balance sheet as of December 31. It certainly shows an improvement in your business which we are glad to note. It has been gone over very carefully, and while it shows an improvement, we are sorry to say that we cannot extend open terms just yet, but we hope the time will not be much farther off.

Mr. Smith's order amounting to \$380 is before us and we certainly want to handle this business. We are sure it will fill your requirements very nicely and we will give you the best possible service. Can you arrange to give us cash for 25% of the order in advance, the remainder to be delivered c. o. d.? Please understand this is just a temporary arrangement until later on when we are sure we will be able to reopen your account.

Proof that the customer appreciated this tactful approach is shown by his answer:

### With a Check

Enclosed is our check made payable to you for \$95 which is equal to 25% of the cost of the supplies ordered from you. We ask that you enter our order and sent it c. o. d. in accordance with the terms of your letter.

The c. o. d. account of today will be the open account of tomorrow, and the credit departments are making every effort to show consideration for the customer who is working hard to merit credit privileges. Inadvertently the following letter was sent to such a customer in a small town:

#### Incomplete

Thank you very much for the nice order you gave Mr. Jones. We will be very glad to get the shipment off to you promptly if it will be satisfactory to make shipment c. o. d.

If you will just make a notation on the bottom of this letter that this manner of handling will be satisfactory, and return it to me in the attached self-addressed envelope, we will send it at once.

The customer wrote back asking the amount of the bill so he could send *cash in advance*. He was sensitive about having a package arrive c. o. d., where all his neighbors were bound to learn about it. In a large city, it might have been different. Generally, the very customer who will be entitled to open terms tomorrow is the one who is sensitive about being on c. o. d. terms today. It is not only a kindness to him, but a form of "future-sales-insurance" to show him every courtesy. A little more thought in this case, for instance, might have resulted in adding a paragraph like the following to the first letter: "If you prefer, just pin your check to this letter and return it in the



envelope provided. The amount is \$25.00 net, which takes advantage of 2% discount for cash."

A question that often comes up among the credit people who attend letter-writing clinics is on the use of "trick" collection letters. In my twelve years of experience helping large and small firms to improve their letter writing, I have accumulated quite a collection of "stunt" letters with an interesting history on each one. During the Milwaukee Letter-Writing Clinic, Mr. Gleen S. Custer, Manager, Collection Division, Milwaukee Association of Credit Men, told an amusing story on himself about a letter he wrote when he started collection work for a local firm. The letter read as follows:

#### Brought an Unexpected Answer

I was "kicked into" the collection game—didn't like to ask people for money—but here I am at it with Blank, maker of good heating systems.

And I am troubled with my old trouble, namely—well—you know what. The amount due is \$25.00.

Please send the order, too.

"They sent back a check," smilingly related Mr. Custer, "with the notation, 'Better have someone kick you right out of it again!'"

An overwhelming majority of the credit executives who have expressed opinions in the clinic meetings conducted under the sponsorship of the Credit Men's Associations at Louisville, New Orleans, Richmond, Cincinnati, Columbus, Oklahoma City, Omaha, Milwaukee, Chattanooga, and Dayton have been opposed to trick or stunt letters. Occasionally, someone reports good results from one. Too frequently, they bring down criticism on the credit manager. Contrasting stunt letters with the wise use of ideas to emphasize a point, one clinic member asked, "Just what is a stunt?"

Isn't a stunt letter an unintentional expression of the "exhibitionist complex"? Does it not usually show how cleverly the writer can turn a phrase? When the letter really considers the READER first and foremost, and uses an idea that will appeal to him, it is not in the stunt category. For instance, the following letter, about a debt so old it was outlawed, used such an idea, pleased the reader, and brought a check:

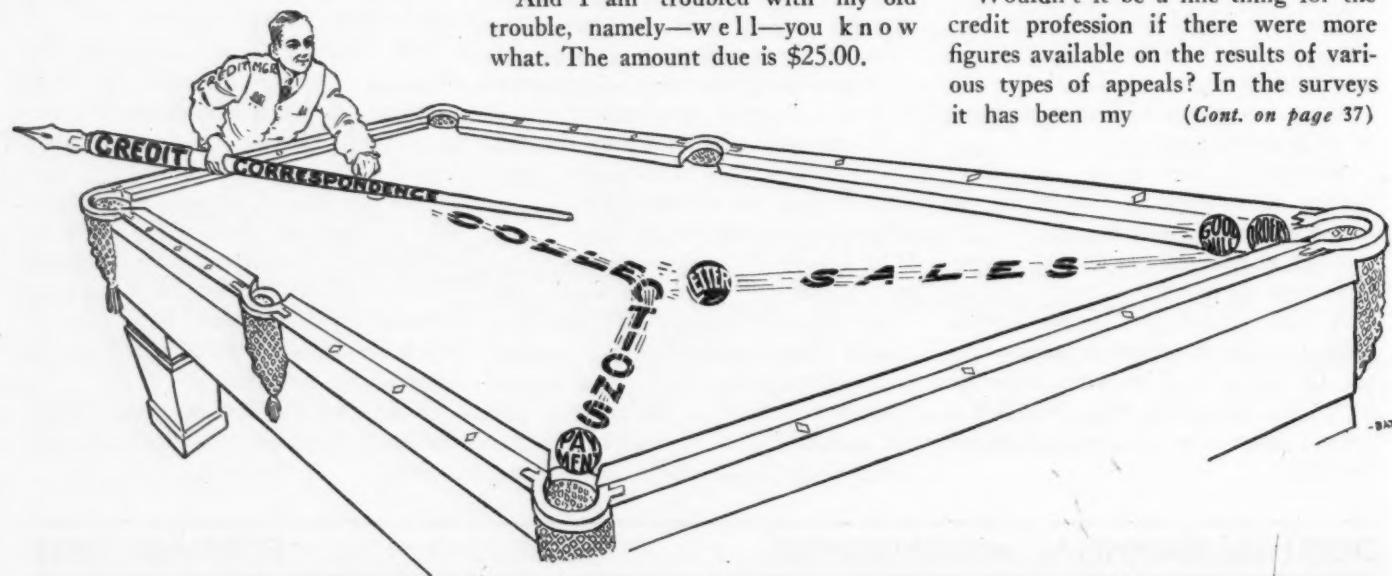
#### Resourcefulness

Time marches on! I can't believe another year has passed, and yet my family is reminding me that I will have another birthday on March 2nd.

I would much appreciate it if you found it convenient to send another remittance of \$10.00, that would be in the form of a birthday present—accepted as such, at least—and applied against your old account.

Kindest personal regards.

Wouldn't it be a fine thing for the credit profession if there were more figures available on the results of various types of appeals? In the surveys it has been my (Cont. on page 37)



# No time for fires now!

by JOHN F. GILLIAMS, Vice-President, Camden Fire Insurance Association, and Chairman of Committee on Fire Prevention and Engineering Standards, National Board of Fire Underwriters.

**SM** It has been axiomatic among business men that sound, dependable fire insurance is the very basis of credit—that it is a major factor in making possible the great superstructure of industry as we know it today. This close study of insurance as a protective backstop for credit risks is of great importance and of course should be continued. However, many corporate officials are now realizing that important savings are resulting to industry through the efforts of the stock fire insurance companies operating through the National Board of Fire Underwriters to prevent fire. This educational campaign has resulted in enormous savings to business and from a dollar-and-cents angle alone is worthy of the attention of every business executive.

We often hear the question "Is your plant fireproof?" Sometimes we try to convince ourselves the answer should be YES until along comes a fire in an adjacent building and pours flames into the plant through window and door openings which were not as they should be. It is in exactly this sort of inspection and research work that the National Board offers a service of inestimable value to industry.

The National Board of Fire Underwriters is the major service organization of the stock fire insurance companies. Its engineers have cooperated extensively with the research men of many industries in order to eliminate fire hazards. Definite sets of recommendations have been prepared and printed by the National Board explaining hazards and how they may be eliminated or at least minimized. Thus new fire dangers which have appeared frequently during the development of new products and new methods have been brought under control thereby

**Industrial activity is definitely on the increase; fire losses are steadily going upward.**

**But industry has no time for fire now!**

**The facilities of the National Board of Fire Underwriters, of the various stock fire insurance company regional organizations and of the individual companies are available to those who request them, but unless industry takes advantage of all that is offered, the full benefits will not be obtained.**

**Read this enlightening article and then consult your insurance agent or broker for cooperation in removing dangerous hazards to make your own property safe against fire.**

aiding business to progress more rapidly and in greater safety.

In order to determine the main causes of fires in manufacturing establishments, an analysis was made of fire in three of the principal classes of industries, as selected by the National Board of Fire Underwriters. The records of other fact-finding organizations on this subject also were considered and averaged, with the result that the following six causes were designated, in the order of their importance:

Stoves, furnaces, boilers and their piping  
Friction  
Sparks from combustion  
Electricity  
Spontaneous combustion  
Smoking—Matches

It is apparent that if the basic factors or hazards involved in these causes were to be eliminated or corrected, the great fire loss in manufacturing in-

dustries would be curtailed materially. A detailed description of the various factors is available from the National Board but these essential features should be clear to everyone.

**Furnaces, Boilers and Piping:** All furnaces and other heating devices should be placed on an adequate and properly insulated base, the specifications of which depend upon the size, type and usage of the heating unit. Likewise, any woodwork or other combustible material that cannot be removed to a safe distance from the heater, should be correctly insulated, and boilers should be enclosed on sides and top by an incombustible, protective covering. It is recommended that the room or rooms in which boilers and power and operating machinery are located be separated from other portions of the building by an eight-inch wall having an approved fire door at each opening; such rooms should not have direct communication.

**Friction:** By this is meant the heat incident to contact of moving parts of machinery. This, to a large degree, is responsible for fires coming under the head of special hazards, which may not be peculiar to the preparation of a company's particular product. The remedy is thorough lubrication of all bearings and moving parts and the setting up of safe standards for handling special hazards. Careless shop practice is sometimes involved in such fires. Employees should be informed of the danger involved, and required to keep the machinery clear, well lubricated, and to prevent accumulations of oil, dust or combustible material beneath machines.

Under this cause are classed fires resulting from sparks in grinding mills igniting combustible material being ground. Foreign metallic particles

such as tacks entering the grinding mill may cause sparks, but this danger can be averted by installing magnetic separators in the conveyors to remove foreign metallic particles before they are allowed to enter the mill.

Frictional or static electricity may also be classed under this heading, and is a hazard that can be eliminated by properly grounding all machinery, pulleys, plates and shafting.

*Sparks from Combustion:* Under this heading are included fires resulting from sparks that drop from open fire boxes beneath boilers, heating devices of all kinds, forges, torches, processes involving open fires, bonfires and incinerators for the burning of rubbish as well as sparks from locomotives. The reduction of this hazard mainly depends upon the proper segregation of the various processes in which open fires are used or where sparks may occur.

*Electricity:* The danger incident to this form of light and power depends largely upon the method of wiring. Although open wiring can be made safe, there is always the possibility of wires being broken or torn from supports by careless employees, and conduit wiring is therefore recognized as the safest and best type of installation. Large plants require a competent electrician in the personnel, so that wiring changes and installations necessitated by operation may be made properly. The practice of having such work done by a jack-of-all-trades is severely condemned, as the rules of the National Electrical Code should be observed always and an inspector should approve all work and make re-inspections from time to time. An especially hazardous condition is created if an electrical motor with open parts and consequent danger from arcing, is located in a room containing vapors from such inflammable liquids as gasolines, benzine, benzol, etc.

*Spontaneous Combustion:* This often results from oil and greasy rags or old clothing being thrown or stored close to steam pipes or some other heating medium. Even coal will ignite spontaneously if improperly stored, and many materials not susceptible to this hazard in themselves will heat up when impregnated with vegetable or animal oils. Mineral oils, however, are largely free from this hazard.

Raw materials that are impregnated

with oils susceptible to spontaneous ignition should be separated from other stock and properly arranged so that at least a portion of the stock will be visible at all times. Oily rags and waste should be kept in metal waste cans with air-tight covers. It is advisable that lockers for employees be constructed of metal, so that fire, if ignited spontaneously in oily or greasy clothing, will be prevented from spreading.

*Smoking and Matches:* Probably this hazard can be most effectually safeguarded by prohibiting smoking on the premises during working hours. Many plants provide a recreation room or building in which employees may smoke during the noon hour or recess periods and this eliminates the practice of carrying matches and smoking materials into manufacturing buildings, inasmuch as lockers are provided for workmen's coats and old clothing. Merely prohibiting smoking without preventing the carrying of matches into the plant buildings will not eliminate this hazard. As an illustration, numerous fires have been caused by workmen stepping on, or material falling upon, match heads.

Engineers who have made an exhaustive study of the problem have a positive answer to the question, "How can we curtail America's stupendous fire waste?" They say with distinct emphasis, "The loss can be reduced if

*we will build to resist fire."*

In planning a \$10,000,000 building, architects and engineers are likely to see to it that it is constructed with the idea in mind of safety against fire, whereas a small building or inexpensive addition may be thrown together without regard for this important feature.

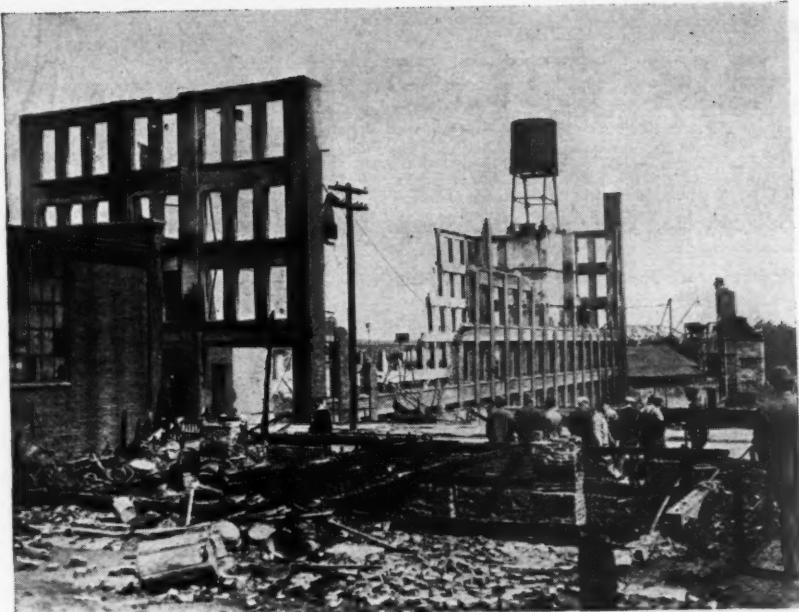
The initial step in building to resist fire is to have the plans drawn by an architect who understands the principles of fire prevention. Of necessity the structure must be erected in accordance with the plans and specifications and it follows that if the plans are right the finished building will be fire-safe. *Many a building has been saved from fire while the plans were on the drafting board!* The modern structures we now see in our cities are the result of many improvements and safeguards in the building industry.

For a number of years the National Board of Fire Underwriters has been promoting safe building construction. It has compiled a model building code, which it distributes without charge to those interested in the subject. Not only the National Board, but also the insurance rating and inspection bureaus in the various states are available at all times for information concerning building ordinances and methods of safe construction. It is recommended that plans for building construction be submitted for review to the insurance rat-

Even a steel mill can have a destructive fire. This picture was taken at Pittsburgh during a fire in the Crucible Steel Company's plant.

International





International

**"No time for a fire now!"** It was a long time before any profits were created in this Dodge plant at Newburyport, Mass., after this destructive fire had burned through this busy factory. Workers who are careless of fires in their plants should find a serious lesson from this picture.

ing organization in respective localities for advice on the different features of fire safety. Numerous cities have adopted the model code practically as a whole, while many others have used extracts from it freely in the preparation of local building laws. In order to coordinate all present-day information affecting building construction, the National Board's Recommended Building Code is revised from time to time.

The National Board sends its engineers to survey cities for the purpose of making them safer against fire. Each one of these engineers is an acknowledged expert in that part of the survey in which he engages. They inspect buildings, groups of buildings and whole blocks to ascertain the possibility of a sweeping fire, thus bringing the "conflagration breeders" to the attention of the authorities. They inspect and test the fire apparatus in all stations and gauge the efficiency of the personnel after viewing drills of the firemen. They inspect and test the water supply and pressure as well as the number and availability of hydrants, with the results that the entire survey gives a complete picture of just how safe the city is from the menace of a serious fire. At the conclusion of the survey a detailed report on conditions is made and definite recommendations for improvement are in-

cluded. Copies of the report are placed in the hands of city officials and when the recommendations are adopted, it is never difficult to recognize that the community is a safer place in which to live and work. Hundreds of cities have been surveyed in this manner—some of them several times.

During the first years of the depression, arson was quite prevalent as numbers of financially embarrassed men tried to save themselves from utter ruin—at the expense of the insurance companies. Under present conditions, however, with rising property and inventory values, the tendency toward this crime is very much lessened. In fact, losses from this cause have decreased steadily during the last four years.

The National Board for many years has engaged in the work of curbing the activities of firebugs, and bringing them to justice. It maintains a large staff of specially trained investigators who aid cities to establish their own arson corps and cooperate with district attorneys, fire and police authorities in solving the more difficult cases. They have the reputation of "getting their men!"

The reduction of arson fire losses aids all business because the total burning rate, which largely controls the cost of insurance is thereby lowered.

Moreover, the creditors are likely to suffer loss after an incendiary fire, and sometimes the flames, which spread with devastating swiftness in these set fires, reach out and involve adjacent properties as well.

Stock fire insurance companies, through the National Board, sponsor Underwriters' Laboratories, operated for service and not for profit. In these great laboratories, materials and products are subjected to various tests to determine how well they will resist fire or how safe they are from the standpoint of fire. A company may submit its product and it will be tested and compared to an established standard of safety. The only charge is to cover the cost of the test. If passed, the product is listed as standard or provided with a label and subsequent inspections are made to insure the standard's being maintained. As will be appreciated, this protects the public and is of definite value to the company in marketing its product as well.

Industry has cooperated in the work of fire prevention and steady progress has been made in connection with its principles, but nevertheless, fire losses have been increasing steadily for over a year. One of the reasons for this, informed authorities say, is the failure to recondition machinery and buildings properly before resuming production, following the inactivity of depression days. In the rush to get out orders, safety factors are forgotten or neglected.

Another reason is the starting of new enterprises in old buildings which were originally intended for other purposes, and which are totally unfit for the type of work now carried on in them. Again, some cities have curtailed fire department expenditures, reduced the number of men on duty, and kept obsolete apparatus in service. All in all, such conditions are likely to cause many serious fires in industry, involving huge losses for both business and fire insurance. It is evident that there must be no let-down in the battle against fire—rather, that efforts must be redoubled in a program that challenges the cooperation of business men everywhere.

Industrial activity is definitely on the increase; fire losses are steadily going upward.

But industry has no time for fire now!

The facilities of (Cont. on page 33)

# Tax tips

by W. H. HOTTINGER, Jr., Credit Manager, Bowey's Inc., Chicago, and Chairman, Taxation Committee, Chicago A.C.M.

**Everyone** who had an income of \$1000.00 or more last year, must now seriously go to work and consider what amount, if any, of tax he or she will have to pay the federal government, under the present federal income tax act.

Naturally no one wants to pay any more taxes than his or her legitimate share of government expenses, which, of course, are paid by taxes.

This article only tends to deal with certain phases of the income tax which is payable this year to the federal government, particularly those that must be paid by individuals. Some of these ways of cutting down the amount of tax that you will have to pay or the amount of income that will be assessed in computing the tax, you may already know about, but it is very easy to forget or omit some of them and in that way pay a tax which you are not obliged to pay. For that reason, this article should be of interest to every Credit Manager or woman whose income in 1936 was more than \$1000.00.

**FIRST:** Of course, every single person is entitled to a \$1000.00 personal exemption; also the \$2500.00 exemption allowed the head of a family, and, of course, the earned income credit which amounts to 10% of the earned income or the maximum of earned income of \$14,000.00. In other words, the largest amount that may be claimed as earned income is \$14,000.00 which, of course, gives an additional credit, to a party filing an income tax on that amount of \$1400.00.

Outside of these regular deductions or exemptions, the following are tabulated, item by item, so that you can go over them and in filling out your tax return, see whether or not you can take advantage of these various deductions. The following do not constitute income which can be taxed or the deductions mentioned may be made under the present law.

1. Proceeds from accident, health



and accident or health insurance policies.

(1a) Proceeds from any life insurance policy, with few special exceptions.

2. Alimony received.

3. Damages received for personal injury or for slander or libel, or for breach of promise to marry.

4. Dividends on *unmatured* life insurance policies.

5. Gifts received (If for instance your firm gave you a Christmas present even though in money, it is not considered taxable income.)

6. Income tax refunds, (with few exceptions)

7. Personal property, real estate, or other things inherited during the year.

8. Interest on U. S. postal savings deposits.

9. Interest on state or city bonds.

10. Any fees you may receive for sitting on a jury in any state, county or municipal court, but fees received for sitting on a federal jury are taxable.

11. If you received a bonus as a World War veteran, this is not taxable.

12. If you are a member of the National Guard and your salary is paid

by a state, this is not a taxable income, but if paid by the federal government, it is.

You may also deduct for the following taxes that you may have paid during the year:

13. If you own an automobile, you can deduct the license fee you may have paid the city or state or other governmental body and you may also deduct the state tax on gasoline charged you in all of the states with the exception of the following, namely:

Alabama, California, Colorado, Florida, Georgia, Kansas City Missouri, Mississippi, Nebraska, Ohio, Pennsylvania, South Carolina, Tennessee, Utah, Washington and Wyoming.

14. You can also deduct the interest on the money borrowed in purchasing the automobile, stocks, bonds, real estate, etc.

15. You may also deduct as necessary expenses, if your automobile is used in business—or if your car is used only partly in business, then in proportion to the ratio the automobile is so used—for

(a) Chauffeur's salary

(b) Garage rent

(c) Gasoline, oil and repairs

(d) Insurance

(e) Depreciation

(f) Loss on sale of automobile, but you cannot deduct for cost of a new automobile, or

1—the expense of defending a damage suit for negligent driving on the car used for pleasure, 2—or the expense of travel between home and place of business

3—or fines for violating traffic laws

4—or loss on trade-in. However, you can avoid paying taxes on a loss on trade-in by selling your old car in an outright sale and then buying a new

(Continued on page 33)

# Tregoe contest judges named

Manuscript deadline: April 15

## Get going!

Seventy days after the publication date of this issue of **CREDIT AND FINANCIAL MANAGEMENT**, the Board of Judges of the second J. H. Tregoe Memorial Prize Essay Competition will begin reading the manuscripts submitted.

It is with pleasure that we announce that the entire personnel of last year's Board of Judges has again agreed to act in determining the winners in this year's contest. They are:

Dr. A. F. Chapin, New York University

David E. Golieb, Treasurer, The International Handkerchief Manufacturing Company

William H. Pouch, President, Concrete Steel Company, and Past President, N. A. C. M.

Dr. W. H. Steiner, Brooklyn College

David A. Weir, Assistant Executive Manager, N. A. C. M.

## I. WHO IS ELIGIBLE:

For Class A prizes, any student or former student in the National Institute of Credit is eligible.

For Class B prizes, any student in the junior or senior classes of schools of commerce or business administration in recognized colleges or universities is eligible.

No employee of the National Association of Credit Men nor any of its local affiliated units is eligible for the competition.

## II. PRIZES:

### Class A

First	.....	\$100
Second	.....	40
Third	.....	20
Fourth	.....	10

Honorable mention—Fifth to Tenth inclusive: 1 copy, 1937 edition "Credit Manual of Commercial Laws," for each place winner.

### Class B

First	.....	\$100
Second	.....	40
Third	.....	20
Fourth	.....	10

Honorable mention—Fifth to Tenth inclusive: 1 copy, 1937 edition "Credit

Manual of Commercial Laws," for each place winner.

## III. THESIS SUBJECTS:

Contestants have a choice of subjects relating to any phase of credit practice or policy or showing the relationship and importance of credit to the general business and economic life.

## IV. BASIS OF AWARDS:

The following are among the factors which will be considered in conferring the prizes:

(1) The intelligence and understanding of credit and its importance as shown by the contestant in choosing his subject.

(2) Indication given of a knowledge of basic principles and practices in the field of credit.

(3) Indication that the contestant has an adequate conception of the relationship of credit to general business.

(4) Indication shown of constructive thought by the contestant on credit problems.

(5) Clearness and directness in presentation of the subject matter.

(6) Neatness, orderliness and method of expression.

## V. ANNOUNCEMENT OF AWARDS:

The awards will be announced at the 42nd Annual Convention of the National Association of Credit Men at Chicago, Illinois, in June, 1937. Announcement will also be made in the June issue of **CREDIT AND FINANCIAL MANAGEMENT**.

## VI. GENERAL RULES FOR THE CONTEST:

(1) All manuscripts submitted must be typewritten, double-spaced, with at least one extra copy submitted. This second copy may be a carbon.

(2) The maximum length of the manuscript is to be 4,000 words.

(3) Those intending to compete for prizes should submit the attached blank to the National Association of Credit Men, 1 Park Avenue, New York, before March 1, 1937.

(4) All theses to be eligible for prizes must be in the National Association of Credit Men offices, 1 Park Avenue, New York, not later than

Thursday, April 15, 1937. All manuscripts should be sent by registered mail.

(5) Pages must be securely fastened at the top. The name and address of the contestant together with designation of business or school connection must be typewritten at the top of the first page. The name of the contestant only (for identification purposes) must appear on the top of each succeeding page. The manuscript must be accompanied by a letter of transmittal signed by the contestant.

## VII. PUBLICATION:

(1) The thesis winning first prize in each class will be published in **CREDIT AND FINANCIAL MANAGEMENT**.

(2) The right is reserved to publish any other of the theses submitted in **CREDIT AND FINANCIAL MANAGEMENT**.

(3) No manuscripts will be returned to the writers.

To facilitate handling of essays and preparations for the competition, the coupon below should be sent to Mr. David A. Weir, Assistant Executive Manager, National Association of Credit Men, 1 Park Avenue, New York.

Submission of the coupon is not a requirement for consideration of a manuscript but it is earnestly requested by the Board of Judges of all those intending to participate.

Mr. David A. Weir  
National Association of Credit Men  
One Park Avenue, New York

I desire to inform you that I will submit a manuscript in the second J. H. Tregoe Memorial Essay Competition in accordance with the contest requirements outlined above.

Name .....

Address .....

City and State .....

School or .....

Firm .....

# Latin-American credit and collection survey

by WILLIAM S. SWINGLE, Director, Foreign Department, N. A. C. M.

**S**THE thirty-third consecutive quarterly survey of credit conditions and collections in twenty-one Latin American markets covers the closing quarter of 1936. This survey is based on the opinions and experiences of members of the Foreign Credit Interchange Bureau who are shipping merchandise into these markets. The index of credit conditions refers to the situation within the various markets from a commercial point of view but does not take into consideration the question of governmental debt or service obligations. The index for collections refers to current business.

The attached charts, one covering the index of credit conditions and the other the index of collections, give a comparison between the closing quarter of 1936 and the four preceding quarterly periods. These charts also indicate the general classification of the various markets as to credit con-

ditions and payment for shipments to these points.

At the turn of the year it would be well to look back over the past year and see what changes have taken place during the twelve months' period, as an indication of the trend of conditions in these markets. The index of credit conditions indicates that of the twenty-one countries surveyed, nineteen show an improvement in credit conditions, most of these in sizable amounts.

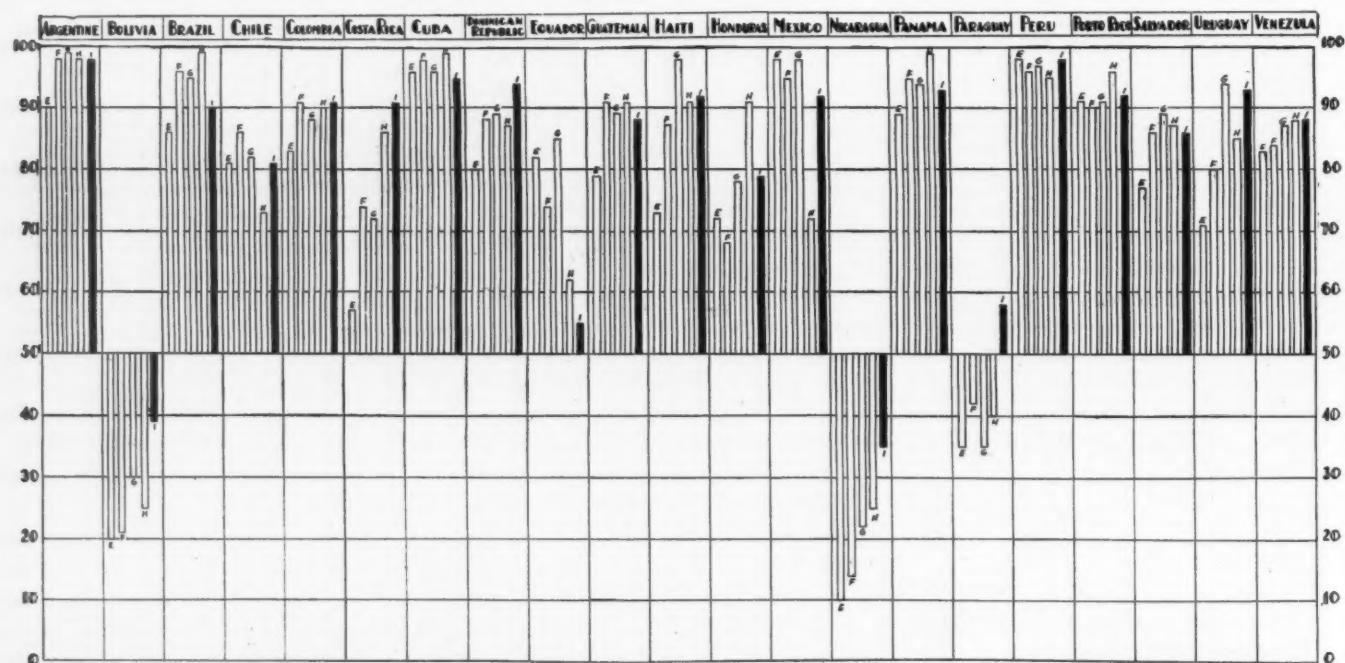
Among the countries showing the greatest improvement might be mentioned Argentina, Puerto Rico, Pan-

Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey.

ama, Brazil, Colombia, Venezuela, Uruguay, Guatemala and Costa Rica. In addition, the credit conditions in such countries as Bolivia, Paraguay and Nicaragua, while still unsatisfactory, nevertheless do show improvement during the year. There has been comparatively little change for such countries as Cuba, Mexico, Peru, Haiti, Dominican Republic and Honduras. A reference to the graphical chart will indicate the general classification for credit conditions in these markets.

The only market in which a substantial decline during the year was indicated was Ecuador. A slight falling off was indicated for Chile, but this still remains in practically the same condition as at the beginning of 1936.

It is encouraging to note this general improvement throughout the Latin American markets. Many things have contributed to this improved situation,



Key—E: 4th Quarter, 1935; F: 1st Quarter, 1936; G: 2nd Quarter; H: 3rd Quarter; I: 4th Quarter.

among which might be mentioned improved exports from these markets and better prices for raw materials, as well as a generally improved internal condition as a result of various emergency and regulatory measures made effective some time previously within these countries. They are getting their houses in order and there are good prospects for the coming year for increased business and better relations with these important markets for American merchandise.

The individual credit situation has, of course, improved with an improvement in credit conditions and credit losses continue to be restricted. There is increased activity in inquiries covering buyers in these markets as indicated by calls for reports from the Foreign Credit Interchange Bureau files.

A reference to the chart covering collections shows that the situation there has generally kept pace with the improved background in these countries. There has not, however, been the same possibility for improvement because collections have continued to be relatively satisfactory from most of Latin America. As is well known to experienced exporters, payments from responsible customers are made in

spite of difficult conditions.

A comparison of the situation at the close of 1936 and the twelve months previous shows that the index of collections on commercial business from sixteen markets shows improvement. Among these might be particularly noted such countries as the Dominican Republic, Uruguay, Haiti and Costa Rica. As was mentioned previously in regard to credit conditions, collections from such markets as Paraguay, Bolivia and Nicaragua which are still very slow and generally unsatisfactory still have shown some improvement during the year. Collections from other countries, such as Argentina, Panama, Puerto Rico, Peru, Colombia, Brazil, Guatemala, Venezuela, Salvador, Chile and Honduras show some slight improvement in the collection index but comparatively little change from the position a year ago. In all of these

countries collections are generally prompt and satisfactory. In only three markets was a decline shown in the credit index. In two of these, namely, Cuba and Mexico, this is not of sufficient amount to indicate any generally unsatisfactory trend and collections from both of these markets are quite satisfactory.

In only one case, that of Ecuador, corresponding to the decline in credit conditions, has there been a decided drop in the collection index during the year.

We again find, as is usually the case when this situation is reviewed, that responsible buyers whose credit has been properly checked through adequate sources before shipment is made, pay their bills promptly and credit losses are decreasing rather than increasing on shipments to buyers in these countries.

## The changing agriculture

by LOUIS J. TABER, Master, The National Grange

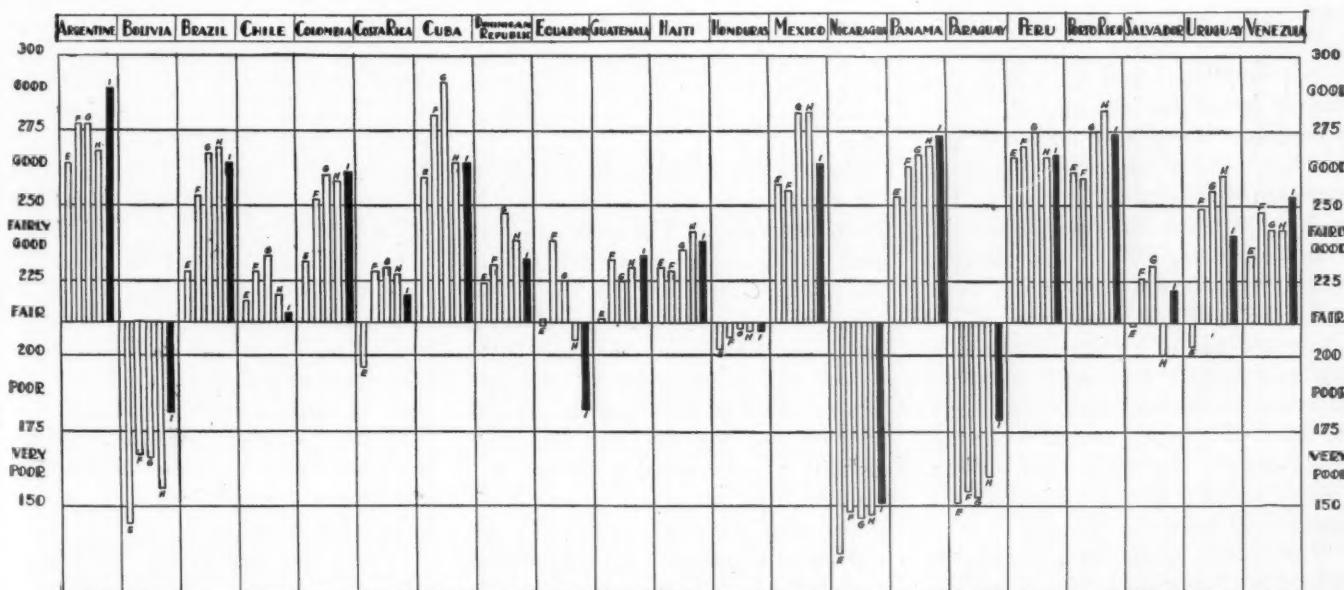
**F**THE American farmer is facing definite changes. Many have been mentioned, and I am going to review, one by one, these changes in agriculture.

The first great change, the most important of them all, is the change of outlook. Years ago the farmer started out with a wilderness of fertile land, limitless resources, ever beckoning him westward. That has gone, never to return. Therefore, the first change in

agriculture is to change from drawing fertility out of the soil to restoring it. It is a change, if you please, from an agriculture of exploitation and waste to an agriculture of conservation. That is going to be startling, and it is going to have a profound effect on costs, as well.

America has had the most reasonably-priced food supply in the history of mankind, and it has enjoyed that food supply below (Cont. on page 29)

**Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.**



# Meet Mr. Mason or Marr or M

To whose business activity you are introduced

**S**A locked "stable", the horse gone; a hurry call from creditors; a depleted stock; amid the showering tears of creditors, a thorough investigation; a circular letter of warning to merchandisers, describing the "stable", the "horse" and the "midnight rider". (*End of Scene 1.*)

A distant plant writes. One of its customer's description tallies with that in the circular. Machinery begins to move. The police close in, holding the customer. The investigator draws a complaint, hurries it to the police. Extradition papers are signed, the customer brought to trial. "And the sentence of this court—" says the judge. (*Fadeout.*)

Such a scenario as that above would be exciting fare for the average movie-goer. But when the operating organization of a credit association sees it enacted in real life the thrills far surpass those provided by the screen.

A plot like this unfolded recently for the Omaha Association of Credit Men. Through the use of the most elementary methods, a professional promoter who had disposed of his grocery store stock and then disappeared without a trace was located, returned to Nebraska for trial in a district court and sentenced to prison—and all within five months of the day he vanished.

In these "elementary methods" are, however, a good deal of work and co-operation by clients without which the trial might never had been picked up.

In September, 1935, a man rented a store in Omaha at 1428 Military Avenue. He said his name was R. F. Chambers, told of his previous grocery and meat market experience in several cities and, on opening, had a small stock on hand. He called several wholesale establishments and gave them orders. Others solicited him for business. He paid for all deliveries in cash.

The small stock with which he opened was purchased from a brother

in Iowa, he told the salesmen. The brother had foreclosed on a mortgage and, not wanting the grocer's stock, sold it to him. Chambers was courteous, gracious and, so the salesmen thought, the kind of a fellow who could make a go of the store where others had been failing.

After the first few cash orders, Chambers asked for credit. The salesmen looked over his stock. Most articles were price tagged near cost, at cost or, in some cases, below cost. They questioned Chambers. He had an explanation. Business had been at a low ebb. His predecessors in the store had failed. Chambers wanted to get customers rolling into his store by offering cheap priced goods. After they started patronizing him, they would find prices getting above the cost figure. The salesmen wondered, but filled the orders on credit. Then, a little later, more orders were filled on credit.

Chambers littered the neighborhood with handbills. Attracted by his cut-rate prices, housewives stocked their pantries with low-cost foods. By October 15, about three weeks after Chambers opened the store, he had left a stock worth only a couple of hundred dollars. He was "in" his creditors for nearly three thousand dollars and they were beginning to worry—but just beginning.

On Monday morning, these creditors felt they had occasion to get down to serious worrying. The store failed to open. When, by mid-morning, Chambers had not reported, nor any of his staff, the salesmen called the office of the Omaha Association of Credit Men. I went out to the place at once and talked to some of the salesmen. It was quite apparent that they had been dealing with a professional promoter.

From the salesmen, from other nearby store owners, I obtained a description of Chambers. A filling station attendant near the store furnished in-

formation that he had seen license plates of four states in Chambers' car. Only one employee was an Omahan; he had worked for the previous occupant of the building. The other employees—who, like Chambers, were also missing—apparently were his accomplices in the business.

After checking the neighborhood, Chambers' residence and other firms, our office on October 28 circularized a letter, giving a complete history of the case and the description obtained from contacts Chambers made while in the city.

And now comes the example of member cooperation.

The Armour and Company plant in South Omaha gave circulation through their widely-located offices to our letter. On November 8 we received a letter from Armour's Kansas City plant, offering the information that our description fitted quite well that of a man named Herschell H. Mason, who several times had caused losses to their company. The most recent one, the letter said, was while Mason was operating at Stillwater, Minn., under the name of J. E. Marr.

With this letter came a circular issued by the Post Office department, describing Mason's activities as far back as 1914, when he first became involved with the law. A short time later, the Kansas City Armour Office sent us Mason's pictures. They were of "Chambers".

Up to this time we had no case against Chambers. It was impossible to put him in bankruptcy, because he had not been a resident of Nebraska the better part of six months. He had not used the mails in any way in connection with the business. But we informed the Post Office Inspector of his activities here and asked him to be on the lookout for him.

'Twas the day before Christmas, 1935 at 2 P. M. We were rushing

# Macy or Mayson or Chambers

by G. P. HORN, Executive Manager, Omaha A. C. M.

merrily about the office with our minds on everything in the world but this case. I got a call from the police. Postal authorities notified Omaha officers that Mason had been picked up in Springfield, Mo. and they were holding him incommunicado.

We had no complaint. 'Twas the day before Christmas—yet, Mason was in jail and action had to be sudden. On December 26 I persuaded two Omaha creditors to sign a complaint that Mason had obtained his goods from them under false pretenses. We made application for and received extradition papers at once. On Saturday, December 28, Mason was lodged in our county jail. He was immediately arraigned, bound over to district court and held in lieu of bond.

What had happened was this: After making his cleaning in Omaha, Mason apparently had selected Springfield as his next point of operation. On December 18, within 60 days after leaving Omaha, he had opened a large store in the Missouri city, apparently sinking a substantial investment. A Springfield bank reported that Mason had about five thousand dollars in cash. His son, a fellow about 20 years old, and his wife, Atta L. Mason, were with him. They opened the store under the name of A. L. Mason, paid \$2,400 cash for an open stock and \$2,300 cash on \$4,800 worth of fixtures.

However with such an elaborate layout, he made a splurge in the newspapers with his advertising. His below-cost prices interested one of his competitors, operator of a chain of stores. He asked police to make an investigation. They worked with postal authorities and, on receipt of Mason's history from the Kansas City office, they jailed him.

After Mason's arraignment in Omaha, Missouri authorities appeared, stating he was wanted there to answer another charge of obtaining money

under false pretenses.

Mason's trial before District Judge John Yeager was held the week of February 26. Mason did not take the stand; consequently the prosecution was not able to bring before the court his alleged previous criminal record. His defense was that he was operating the business for and on behalf of R. F. Chambers, but the prosecution charged that Mason represented himself to be R. F. Chambers and at no time indicated he was acting for anyone else.



**Selling below cost is easy if you do it the way this operator did—easy, indeed, but dangerous too if you enjoy your liberty.**

The jury found Mason guilty and, on Friday, March 20, he was sentenced to five years in the state penitentiary at Lincoln. It was five months to a day from the time he left Omaha, without a trace.

He appealed the case to a higher court but on January 5, 1937 he lost in the Nebraska Supreme Court.

Mason's record, as compiled by postal authorities, lists his first offense at Kansas City in 1914. He operated then as the Reliable Poultry Journal, offering free trips to San Francisco as prizes for subscriptions. Postal bulletins say he failed to provide the trips.

During 1917 he operated at Malvern, Ark., under the names of J. H. Macy and H. C. Mayson, advertising Kaffir corn for sale below market price.

He failed to fill the orders and was sentenced to serve a year and a half in the federal penitentiary at Atlanta for this offense. Previously he had operated at Adel, Iowa, under the name of the Majestic Squab Company and had been arrested for fraudulent use of the mails. He was on bond at the time of his Malvern, Ark. arrest and after release from Atlanta was returned to Adel jurisdiction. He was fined \$300 and costs.

At Des Moines he was taken into custody in 1920 for fraudulent use of the mails in operating the Quality Chick Company. He was sentenced to serve a year and a half at Leavenworth federal prison, but was released on \$6,000 bond pending an appeal to a higher court. He jumped this bond. The next year, indicted at Kansas City for operation of the National Chick Company Mason was released on \$3,500 bond, which he also jumped.

Cleveland, Ohio, was Mason's next point of operation. He organized the King Hatchery there and advertised baby chicks for sale. He disappeared from Cleveland when an investigation was started, leaving about ten thousand dollars in various banks in the city.

All those who met Mason here were impressed by his courteous manner. Our circular described him as having a "winning smile". He was able to talk so well a financial rating reporter described his chances for success at the location as being very good.

In the struggle for new accounts and new business going on today, many firms find their enthusiasm running into just such fellows as Mason. Then the blow falls, the credit organization often finds the trail so cold and member cooperation lacking in the enthusiasm displayed in their sales divisions. This case proves that his type can be tripped up in their promotion with a little work, a little cooperation and some "breaks."

# Development Program is a

**L. J. Bradford, Treasurer,  
The Lunkenheimer Company  
Cincinnati, O.  
Vice President, N. A. C. M.**

The Development Program of the National Association of Credit Men impresses me not only because I can visualize an enlargement and expansion of the Credit Interchange and Adjustment Bureaus of the Association which will greatly benefit the members who use these service departments, but also the intangible benefits that most certainly will come from the development of credit research work, from the expansion of our educational activities and especially from an honest-to-goodness legislative committee provided with the necessary funds to work intelligently and constructively for the passage of laws that are beneficial to business generally and oppose such legislation that is harmful.

They say that "Life Begins at 40." Our National Association of Credit Men, now 40 years of age, with the consummation of this very comprehensive and constructive Development Program will take on new life and vigor and become an even greater instrumentality of usefulness of the credit men of America than it has ever been in the past. It is a well-rounded out, constructive and workable program which should be enthusiastically supported by all of our local Associations to the end that the necessary funds are made available to put it into operation.

**G. E. Brister, Credit Manager,  
American Sugar Refinery Co.  
New Orleans, La.  
Vice President, New Orleans C. M. A.**

There should be no doubt in the mind of the thinking executive as to the benefits to be derived from the proper administration of the expansion program of the National Association of Credit Men. The program certainly is a step forward in safeguarding the nation's profits, and can be endorsed safely by all members of the credit fraternity.

**Fred J. Bury, Jr.,  
E. R. Godfrey & Sons Company,  
Milwaukee, Wisconsin  
President, Milwaukee A. C. M.**

The immediate acceptance of the Development Program by executives in Wisconsin indicates the degree of recognition given to this worthwhile investment. The sales department executives see in the thirteen-point objective, sound business essentials that are just as valuable to sales as they are to credits.

There is a need for the variety and the quality of the constructive services proposed. The hearty support given the project again characterizes the progressiveness of the American business man.

**Paul Fielden  
The Norton Company, Worcester, Mass.  
Past Vice Pres., N. A. C. M.**

The Development Program prepared for the National Association of Credit Men seems so really worthwhile that there should be a prompt and liberal response to the campaign for financial support.

The National Association of Credit Men has done much to improve business standards. Our accomplishments in the past have helped in making this country a better place in which to live and conduct business. Probably no other National organization can as effectively carry on and continue this work. An opportunity now to take part in this movement which will do so much to help "Guard the Nation's Profits" should be welcomed by all.

The possibilities for the future of our Association are almost unlimited. The opportunity of today is a direct challenge in the light of the traditions of the past forty years. I am sure the member response will be generous.

**George Grundmann, President,  
Albert Mackie Company, Inc.,  
New Orleans, La.  
New Orleans C. M. A.**

The officers and directors of the Na-

tional Association merit the thanks and appreciation of the membership for the very *constructive expansion program* now in progress.

If we are to succeed and give to our membership the maximum service, which we presently require, this program is not only necessary but urgent.

"A chain is no stronger than its weakest link," and the proceeds of this expansion campaign will strengthen the weaker links or units of the Association, and greatly fortify and improve the service.

**J. W. Lerner, Asst. Secy.-Treas.,  
The Harshaw Chemical Company,  
Cleveland, Ohio  
Cleveland Association of Credit Men**

The Development Program, in my opinion, is the answer to a challenge to the credit men of this country with respect to their ability to organize their own facilities and to supervise legislation that threatens to impair them. It means an improved Credit Interchange Service. It means protection against ill-advised legislation not contemplated in the interest of the credit fraternity of the country, and finally, it will provide an opportunity to put the credit profession in the place it rightfully deserves as one of the chief guardians of the nation's financial welfare.

**L. W. Lyons, Treasurer,  
Westinghouse Electric & Manufacturing  
Co., East Pittsburgh, Pa.  
Director, N. A. C. M.**

Pittsburgh is well on the way in the fund raising campaign for the Development Program. We have reported subscriptions in excess of \$8,000 obtained from not more than 20% of our membership. Our average subscription to this date is about \$125 per member. From present indications we are very hopeful of reaching our quota within a comparatively short time.

**C. E. Mann, Credit Manager,  
Munsingwear, Inc., Minneapolis, Minn.,  
Minneapolis A. C. M.**

# approved in all sections

We have been very glad to note an attempt being made to place the office of the National Association of Credit Men in a position where it can do more aggressive work. Its income no doubt has been seriously affected by the depression and such a fund is, therefore, quite naturally in order.

Sincerely trust the effect of the expenditure of this fund will be to increase the enthusiasm of the members for the fundamentals of the Association, particularly the keystone of co-operation. Very naturally this had a tendency to sag during these very trying years through which we have just passed.

**Jos. A. McBrien**  
Credit Manager-Director  
Jordan Stevens Company  
Minneapolis, Minn.,  
Director,  
National Association of Credit Men

I believe the Development Program is the most important, far-reaching and timely move the National Association of Credit Men has ever undertaken.

Important in that it promises to further develop every department in our service.

Far-reaching in that it offers each individual firm a chance to cooperate in a material way.

Timely in that it was conceived at the right moment to keep in line with the progress of business out of the depression and secure our position in the vanguard of the credit profession.

**F. O. Pansing, Assistant Treasurer,**  
Frigidaire Division,  
General Motors Sales Corporation  
Dayton, Ohio,  
Dayton A. C. M.

In order to keep abreast of changing economic conditions, it is important that industry give full support to the Development Program being sponsored by the National Association of Credit Men.

This is especially true when we consider all the isms and doctrines being promoted today.

The Association in the past has demonstrated its ability through the efficient manner in which it has handled its problems in connection with fraud prevention, credit research work, credit interchange, legislative activities and others.

I am sure with the proper promotional effort back of this, no difficulty will be encountered in the development of this constructive program.

**E. R. Patterson, President,**  
Richmond Rubber Company,  
Richmond, Virginia,  
Past President, Richmond A. C. M.

We, in Richmond, are keenly interested in the Development Program of the National Association of Credit Men, because the idea was first presented at the convention in this city, last June, where it received spontaneous and instant approval. I am particularly interested because I realize the Association must go forward, and this program appeals to me as being essential in order to make effective the greater protection to American business, which existing conditions demand, in a much shorter time than could be hoped for without this very necessary acceleration in our plans.

We must have adequate representation in Washington for our legislative program and this will be most important during the coming session of Congress. Legislative activities in the various states are necessary for the proper consideration of laws affecting credits, and if the fund being raised were devoted to no other purpose than that of Federal and State Legislature, it would be eminently worthwhile.

With the expansion of business, and consequently credits, the further development and expansion of the Credit Interchange service, the Collection and Adjustment Bureau activities are needed as never before. The Research, Educational and other units of the Association that will come within the program are of considerable interest to the modern credit manager, and can be developed under this program to be of

inestimable value to the profession.

My firm's subscription will not be in the nature of a contribution nor an expense, but a sound investment.

**R. L. Simpson, President,**  
C. T. Patterson Company, Inc.,  
New Orleans, La.  
President, New Orleans C.M.A.

I am very pleased to advise our company is contributing to the expansion program of the National Association of Credit Men. We feel that this work will be very beneficial, not only to our own business, but also towards the improvement of the whole National situation. The plan is timely and very much needed by every line of commercial business.

You can be assured of our complete cooperation towards this Development Program of "Guarding the Nation's Profits."

**A. D. Sundquist,**  
Hess-Malloy Company,  
Sioux City, Iowa,  
Interstate A.C.M.

The Development Program for our Association was heartily accepted by the Board of Directors and unanimously adopted.

The consensus of opinion seems to be that were we to receive only the legislative feature set out in the program, it would be well worth the price.

While we were late in getting started on our campaign, from the favorable reception as to the merits of the entire program, this month should enable us to turn in our full quota.

**Paul J. Wedge,**  
Commander Larabee Corporation,  
Minneapolis, Minn.,  
President, Minneapolis A.C.M.

The Development Program is receiving an excellent reception in Minneapolis. Our members, including credit and general executives, appreciate the value of the Association work and favor this sound program for greater accomplishment and effectiveness.

Wishing you all success.

# The business thermometer:

## Manufacturers and wholesalers sales and collections show rise over year ago in December, 1936

**FM** Value of wholesale trade increased substantially in December 1936 from December 1935 and collections on accounts receivable were made at a higher rate over this period, according to reports of wholesalers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 1020 reporting wholesalers increased over 21 percent in December 1936 from December 1935, a continuation of a change recorded for every month of this year over the corresponding month of last year. Without adjustment for seasonal influences, December 1936 sales registered an increase of about 1 percent from November of this year.

All of the wholesale trade groups shown in this report excepting farm products had increased sales in December this year over the same month last year with durable and semi-durable goods showing the most favorable improvement and consumption goods the least favorable improvement. The increases ranged from 5 percent for tobacco and its products to 72.3 percent for machinery, equipment and supplies. Metal, lumber and building material, plumbing and heating equipment and furniture wholesalers averaged increases in sales of over 50 percent. In comparison with November 1936, 11 of the groups showed increases and 9 showed decreases.

Results presented separately by certain geographical regions indicate that sales in December as compared with December a year ago increased in most all sections of the country for the wholesale trade groups shown. Increases greatly in excess of the average for certain trades were shown in a number of regions, particularly in the East North Central States and South Atlantic States.

Percentages of collections on accounts receivable submitted by 609 wholesalers were higher in December

this year than in both December last year and November of this year. In December 1936, 79.8 percent of accounts receivable were collected as compared with 73 percent for December a year ago and 74.3 percent for November 1936.

In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This method gives equal weight to all firms regardless of the volume of business done and the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

Sixteen of the 19 wholesale groups reporting showed a higher average collection percentage for December 1936 than for December 1935. The greatest relative increase in collections from a year ago was registered by wholesalers of farm products (consumer goods).

The highest collection percentages were shown by the meats and meat products group, the median collection figures being 110.2 percent for December and 107.1 percent for November this year and 109.3 percent for December last year. These percentages indicate that customers of these firms took less than thirty days on the average to pay for their purchases.

Total net sales and collections on accounts receivable showed continued improvement during December 1936 for the group of manufacturers reporting in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce. Marked gains in sales and a higher rate of collections were recorded for each month of 1936 as compared with the same month in 1935 by this group of manufacturers.

The total net sales of 516 manufacturers throughout the country reporting in December 1936 registered

an increase of 35 percent from December 1935. Without adjustment for seasonal influences, December 1936 sales registered an increase of approximately 9 percent from November of this year.

Total sales increased in December 1936 over the same month last year for all of the 15 industry groups shown in the report. The increases ranged from 19.5 percent for petroleum products to about 50 percent for forest products. The increases in December 1936 sales over December 1935 for iron and steel and their products; machinery; stone, clay and glass products; and chemicals and their products also were high, the increases exceeding 40 percent.

Percentages of collections on accounts receivable submitted by 488 manufacturers were higher for December 1936 than for December a year ago and November of this year. During December this year the manufacturers reporting collected 80 percent of their accounts receivable outstanding on the first of that month as compared with 76.5 percent collected during December last year and 76.1 percent collected during November of this year.

Eleven of the 15 industry groups shown reported a higher average collection percentage for December 1936 than for December 1935. The forest products group registered the greatest relative increase in collections over this period.

The highest collection percentages were reported by the meat packing industry, the figures for each of the three months covered exceeding 100 percent, indicating that customers of these firms took less than 30 days on the average to pay for their purchases. The percentage of 150.6 for December 1936 indicates that the accounts owing to these firms on December 1 were paid on an average of 20 days.

Detailed figures are presented in the following tables and charts:

## Sales and collections on accounts receivable of reporting WHOLESALERS in 20 kinds of business December 1936

Kinds of business	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month			
		Dec. 1936 percentage change from:		Thousands of dollars				Median percentages			
		Dec. 1935	Nov. 1936	Dec. 1936	Dec. 1935	Nov. 1936		Dec. 1936	Dec. 1935	Nov. 1936	
Automotive supplies	39	+26.0	-10.3	1,640	1,309	1,838	28	62.8	60.0	61.5	
Clothing and furnishings except shoes	18	+15.5	-19.7	969	839	1,207	9	65.0	62.0	50.0	
Shoes and other footwear	39	+8.0	-20.9	10,673	9,883	13,494	15	47.0	46.8	40.0	
Coal**	—	—	—	—	—	—	—	—	—	—	
Drugs and drug sundries	98	+20.8	+ 8.5	14,884	12,322	13,723	49	79.8	80.0	71.0	
Dry goods	88	+28.5	-17.8	12,641	9,841	15,374	30	55.7	48.9	44.4	
Electrical goods	69	+39.6	+38.7	7,957	5,701	5,822	26	85.1	77.7	74.9	
Farm products (consumer goods)	23	- 3.4	- 5.7	3,646	3,773	3,867	23	138.0	100.1	118.0	
Furniture and house furnishings	27	+64.5	+10.9	2,160	1,313	1,947	12	53.9	52.0	49.1	
Groceries and foods, except farm products	260	+13.0	+ 5.4	32,852	29,069	31,168	197	102.0	91.7	93.8	
Meats and meat products	19	+10.9	+10.1	8,327	7,511	7,560	18	110.2	109.3	107.1	
Hardware	132	+28.6	+ 4.6	16,471	12,809	15,742	41	60.2	56.2	54.8	
Jewelry and optical goods	16	+31.8	+ 1.3	775	588	765	—	—	—	—	
Lumber and building material	9	+55.2	- 6.5	658	424	704	9	72.0	67.2	64.5	
Machinery, equipment and supplies, except electrical	26	+72.3	+16.4	2,209	1,282	1,898	24	77.2	70.5	72.1	
Metals	8	+52.3	+ 5.9	402	264	427	7	71.7	63.8	64.0	
Paints and varnishes	10	+16.6	-25.2	1,112	954	1,487	9	49.0	53.5	60.5	
Paper and its products	62	+36.3	+16.9	3,950	2,899	3,378	35	74.6	72.0	71.0	
Petroleum and its products**	—	—	—	—	—	—	—	—	—	—	
Plumbing and heating equipment and supplies	37	+56.8	- 3.1	2,106	1,343	2,174	34	66.5	54.6	62.7	
Tobacco and its products	10	+ 5.0	+18.2	1,312	1,249	1,110	9	108.0	109.0	101.0	
Miscellaneous, total	30	+35.0	+ 7.0	6,360	4,712	5,942	34	60.7	59.7	62.9	
Leather and leather goods**	—	—	—	—	—	—	—	—	—	—	
Beer, wines and spirituous liquors**	—	—	—	—	—	—	—	—	—	—	
Total	1,020	+21.3	+ 1.1	131,113	108,085	129,627	609	70.8	73.0	74.3	

\*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

\*\*Insufficient number of reports at present to show results separately; figures now included with Miscellaneous.

## Sales and collections on accounts receivable of reporting MANUFACTURERS in 15 industries December 1936

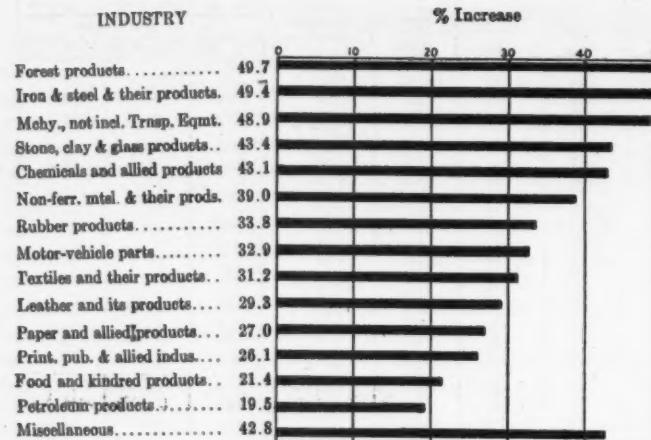
Industry	Number of firms reporting sales	Sales reported					Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month			
		Dec. 1936 percentage change from:		Thousands of dollars				Median percentages			
		Dec. 1935	Nov. 1936	Dec. 1936	Dec. 1935	Nov. 1936		Dec. 1936	Dec. 1935	Nov. 1936	
Food and kindred products, total	95	+21.4	+ 4.9	20,872	17,187	19,904	92	118.0	103.0	107.0	
Confectionery and flavoring extracts	15	+23.2	-17.2	2,769	2,248	3,346	14	108.8	94.1	97.6	
Flour, cereals and other grain mill products	16	+30.1	+11.3	7,130	5,457	6,415	16	118.4	109.3	113.5	
Meat packing	14	+ 6.9	- 3.1	2,837	2,653	2,927	14	150.6	114.8	148.3	
Textiles and their products, total	72	+31.2	+ 3.6	13,953	10,593	13,409	60	71.9	69.0	64.5	
Clothing, men's, except hats	21	+22.7	- 5.7	2,897	2,302	3,071	18	60.4	64.8	57.0	
Clothing, women's, except millinery	14	+35.7	-20.8	973	717	1,229	15	73.2	72.0	68.4	
Knit goods	12	+13.8	-17.7	1,704	1,497	2,071	12	71.8	64.6	56.5	
Forest products, total	27	+49.7	+ 4.5	2,097	1,401	2,006	26	69.2	59.4	59.3	
Furniture	20	+40.3	+ 6.3	1,546	1,102	1,455	19	68.0	55.0	58.1	
Lumber, timber and other miscellaneous forest products	7	+84.3	0.0	551	299	551	7	77.0	76.5	80.0	
Paper and allied products, total	59	+27.0	+13.8	9,356	7,365	8,224	51	82.5	79.0	80.8	
Paper, writing, book, etc.	10	+31.7	+ 7.5	2,860	2,171	2,661	9	91.9	96.0	90.0	
Paper boxes and other paper products	27	+31.2	+ 6.3	4,200	3,201	3,950	25	93.0	89.0	87.0	
Wall paper	22	+15.2	+42.3	2,296	1,993	1,613	17	51.6	39.7	49.9	
Printing, publishing and allied industries	10	+26.1	+11.0	827	656	745	10	75.5	68.0	70.0	
Chemicals and allied products, total	43	+43.1	+ 2.5	8,693	6,074	8,484	40	69.5	59.3	64.9	
Paints and varnishes	22	+48.4	+12.2	3,837	2,585	3,420	20	51.7	45.8	51.8	
Pharmaceuticals and proprietary medicines	12	+16.7	- 4.3	1,014	869	1,060	11	78.9	81.0	82.6	
Petroleum products	10	+19.5	+ 3.5	26,733	22,369	25,818	7	75.9	78.3	77.3	
Rubber products	7	+33.8	+ 1.4	1,825	1,364	1,800	6	72.4	71.2	78.1	
Leather and its products, total	29	+29.3	+15.2	8,044	6,221	6,984	27	55.6	56.1	53.4	
Boots and shoes	22	+20.7	+ 4.0	5,480	4,541	5,269	20	50.0	49.6	52.0	
Stone, clay and glass products	16	+43.4	-22.1	2,045	1,426	2,626	18	82.8	83.8	85.3	
Cement**	—	—	—	—	—	—	—	—	—	—	
Iron and steel and their products, total	47	+49.4	+15.9	35,911	24,042	30,994	47	85.6	87.0	81.1	
Hardware	9	+39.9	+ 7.2	2,065	1,476	1,926	10	89.9	89.5	91.5	
Stoves, ranges, and steam heating apparatus**	—	—	—	—	—	—	—	—	—	—	
Other iron and steel products	38	+50.0	+16.4	33,846	22,566	29,068	37	84.0	87.0	77.0	
Non-ferrous metals and their products	11	+39.0	+10.8	3,222	2,318	2,907	12	78.0	73.5	75.5	
Machinery, not including transportation equipment, total	46	+48.9	+16.9	29,437	19,765	25,191	42	80.2	75.7	74.3	
Electrical machinery, apparatus and supplies	17	+36.5	+11.2	20,694	15,160	18,606	16	89.3	80.5	81.5	
Other machinery: foundry products	20	+89.9	+32.8	8,743	4,605	6,585	26	70.0	64.6	67.8	
Motor-vehicle parts	12	+32.9	+11.0	5,874	4,421	5,291	10	96.6	86.2	91.1	
Miscellaneous industries	32	+42.8	- 4.1	5,583	3,911	5,819	31	79.5	67.0	74.7	
Total	516	+35.1	+ 8.9	174,414	129,113	160,202	488	80.0	76.5	76.1	

\*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month.

\*\*Insufficient number of reports at present to show results separately; figures now included with industry group total.

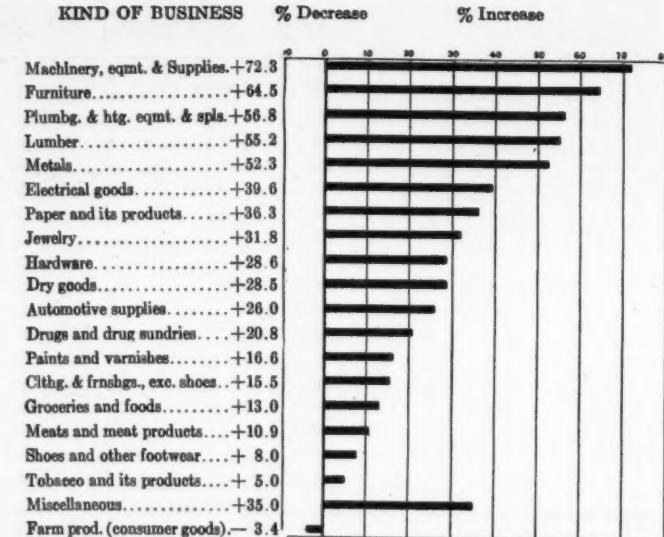
PERCENTAGE OF INCREASE IN SALES OF 516 MANUFACTURERS  
IN 15 INDUSTRIES

DECEMBER 1936 COMPARED WITH DECEMBER 1935



PERCENTAGE OF CHANGE IN SALES OF 1020 WHOLESALERS IN  
20 KINDS OF BUSINESS

DECEMBER 1936 COMPARED WITH DECEMBER 1935



Source: Marketing Research Division, Bureau of Foreign and Domestic Commerce

Sales and collections on accounts receivable of reporting WHOLE-SALERS in 8 kinds of business December 1936

(Results shown only for those trades having a sufficient number of reports for one or more regions\*)

Kind of business and region	Number of firms reporting sales	Sales reported			Number of firms reporting collections	Percent of collections during month to accounts receivable at beginning of month		
		Dec. 1936 percentage change from:		Thousands of dollars			Median percentages	
		Dec. 1935	Nov. 1936	Dec. 1935	Nov. 1936	Dec. 1936	Dec. 1935	
Automotive supplies, total	39	+26.0	-10.3	1,649	1,300	1,828	28	62.8
East North Central	11	+36.5	+2.3	400	293	391	11	66.6
Pacific	15	+17.9	-24.7	409	347	543	—	—
Shoes and other footwear, total	39	+8.0	-20.9	10,673	9,883	13,494	15	47.0
Middle Atlantic	13	+1.9	-1.2	1,321	1,297	1,337	—	—
Drug and drug sundries, total	98	+20.8	+8.5	14,884	12,322	13,723	49	79.8
Middle Atlantic	13	+10.6	+4.8	2,107	1,905	2,010	—	—
East North Central	21	+29.9	+16.1	3,332	2,565	2,869	13	91.7
South Atlantic	16	+23.2	+2.8	1,216	987	1,183	10	70.8
West South Central	23	+19.4	+13.0	3,222	2,699	2,852	10	76.5
Dry goods, total	88	+28.5	+17.8	12,641	9,841	15,374	30	55.7
Middle Atlantic	17	+41.5	+11.8	3,412	2,411	3,053	—	—
East North Central	11	+22.0	-2.8	1,398	1,146	1,438	10	61.7
South Atlantic	13	+16.2	-23.1	1,278	1,100	1,662	—	—
East South Central	12	+23.9	-32.8	1,115	907	1,658	—	—
West South Central	12	+1.6	-30.4	841	828	1,208	—	—
Pacific	9	+5.2	-28.2	542	515	755	—	—
Electrical goods, total	69	+39.6	+36.7	7,957	5,701	5,822	26	85.1
East North Central	26	+47.0	+38.9	2,661	1,810	1,916	—	—
South Atlantic	10	+31.1	+25.3	1,080	824	862	—	—
Pacific	15	+41.8	+32.5	1,830	1,291	1,381	—	—
Groceries and foods, total	260	+13.0	+5.4	32,852	29,060	31,168	197	102.0
Middle Atlantic	54	+10.3	+9.2	8,344	7,565	7,643	39	99.4
East North Central	60	+18.9	+9.7	7,733	7,347	7,959	48	104.5
West North Central	30	+13.6	+3.6	2,939	2,587	2,837	24	119.8
South Atlantic	30	+17.4	+5.8	2,116	1,803	2,000	19	103.7
East South Central	17	+15.6	+9.0	1,040	900	954	12	93.2
West South Central	24	+12.0	+1.0	3,064	2,736	3,033	21	106.0
Mountain	9	+14.9	-4.4	1,412	1,239	1,477	—	—
Pacific	30	+5.8	-1.6	4,888	4,618	4,969	22	99.1
Hardware, total	132	+28.6	+4.6	16,471	12,800	15,742	41	60.2
Middle Atlantic	25	+24.5	+16.3	2,188	1,757	1,882	—	—
East North Central	21	+38.5	+9.3	3,686	2,661	3,371	9	63.6
West North Central	14	+20.4	+1.0	1,700	1,412	1,633	—	—
South Atlantic	17	+25.3	-7.9	1,244	993	1,350	13	47.0
East South Central	16	+47.4	+2.7	2,036	1,381	1,982	—	—
West South Central	17	+28.3	-5.0	1,394	1,078	1,467	—	—
Pacific	16	+21.5	+6.5	3,542	2,915	3,326	—	—
Paper and its products, total	62	+36.3	+16.9	3,950	2,899	3,378	35	74.6
Middle Atlantic	19	+34.3	+21.1	1,535	1,143	1,268	—	—
East North Central	13	+49.6	+19.2	1,134	758	951	13	79.8
Pacific	11	+20.1	+21.2	412	343	340	—	—

\*States comprising regions: New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)

Middle Atlantic (New Jersey, New York, Pennsylvania)

East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin)

West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota)

South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia)

East South Central (Alabama, Kentucky, Mississippi, Tennessee)

West South Central (Arkansas, Louisiana, Oklahoma, Texas)

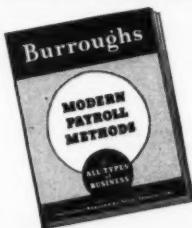
Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming)

Pacific (California, Oregon, Washington)

# Burroughs

## SAVES TIME AND MONEY *in compiling figures required by the* **SOCIAL SECURITY ACT**

4  
**PAYROLL  
RECORDS**  
IN  
1  
**WRITING**



**THIS  
FOLDER  
WILL HELP  
YOU!**

**MAIL THE COUPON**

BURROUGHS ADDING MACHINE COMPANY  
6052 Second Boulevard, Detroit, Michigan  
Send me the new folder "Modern Payroll Methods"—which includes illustrations of forms for compiling figures required by the Federal Social Security Act.

Name \_\_\_\_\_

Type of Business \_\_\_\_\_

Address \_\_\_\_\_

### 1 THE PAYROLL

The complete payroll and check register in one unit shows the gross pay, all deductions, and net pay for all employees. Separate totals for all columns accumulate automatically.

### 2 EARNINGS RECORD

Complete individual progressive record for each employee shows time worked, gross earnings, deductions, and net pay for any and all periods. Provides information needed for old age benefits, unemployment insurance, and income tax reports.

### 3 EMPLOYEE'S STATEMENT

This receipt for deductions, which the law requires be given to each employee at each pay period, also shows the individual's gross earnings, all deductions, and net pay. It can be retained permanently by the employee.

### 4 PAY CHECK or pay envelope

Since the check or pay envelope is written with the three above records, the amount is in perfect accord with these records.

• • •

To meet today's payroll accounting needs with a minimum of work and at low cost, Burroughs provides new machines, new features, new developments for writing the records described above. Concerns—large and small—in all lines of business—are benefiting by the speed, ease and economy with which one or several of these new Burroughs machines completely handle all payroll records. Investigate. For quick action, telephone your local Burroughs office or, if more convenient, mail the coupon or wire direct today.

*When writing to advertisers please mention Credit & Financial Management*

# This month's collectors:

Submitted for the approval of our readers

by PETER S. MARTINONI, Credit Manager, Greenebaum, Weil and Michels, San Francisco, Cal.

Gentlemen:

We have endeavored to collect our overdue account through correspondence without success.

In order to have you get our point of view, will ask you just one question—Have you ever heard of "The Golden Rule"? No doubt you have. Now, then, we feel confident if you will give this question the consideration it deserves, you will comply with our request and start the New Year to our mutual satisfaction.

Very truly yours,

by J. E. COTTET, Credit Manager, F. Burkart Mfg. Co.,  
St. Louis, Mo.

Gentlemen:

Four letters have been addressed to you, requesting settlement of your over due account, but for some reason you have not responded. Neither have you replied to any one of those letters, informing us as to the reason you have not paid, nor as to when we may expect payment, a courtesy to which we are entitled.

There is a much deeper motive underlying our requests for settlement other than the mere desire to collect the amount due us.

We owe an obligation to our employees who have contributed to the success of this business, to keep them as steadily employed as possible, and at good wages. We owe an obligation to our stockholders to provide them with a reasonable return on their investment which made this business possible. We owe an obligation to the trade to furnish them with the highest quality material at the lowest possible price.

In order to discharge these obligations, it is necessary for us to operate this business as economically as possible, which requires that we collect our outstandings as they mature.

It takes a lot of money to operate this business, and when we are faced with that situation where we are not collecting our receivables rapidly enough to furnish the necessary operating capital, it becomes necessary to borrow that capital, thereby increasing the cost of our operations which handicaps us in attaining our objectives.

Our ability to discharge the obligations mentioned depends on the prompt discharge of the obligations due us from the trade we serve.

May we depend on you doing your part by mailing your check for \$..... today?  
Cordially yours,

**C** "Many of the collection letters published in Credit and Financial Management have been helpful to me, and with the thought that I might also contribute a collection idea helpful to some of you readers, I submit a letter which I use occasionally

and which has produced very satisfactory results," Mr. Cottet writes in submitting us the letter reprinted above.

A great deal of collection letter-writing, however, can be obviated if proper care is taken in analysis of the credit responsibility of the buyer. The

most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing because it is based on the current paying record. There is no substitute for Credit Interchange Reports.

## **C** The changing **T** agriculture

(Cont. from page 19) the cost of production for all the years, if we consider the value of the fertility that has already been destroyed or removed.

The second change is almost as important as the first, and that is a change of method; a change of muscle to machine. As we mechanize agriculture, as we lift the burden from human backs, as we lift power, we come to a startling change.

The third change is as important, in some respects more important than the other two. As the second change was a change from muscle to machination, the third is a change from muscle to brain-power; education and knowledge and science, which have been discussed and will be discussed again, have had a tremendous influence on agriculture. So, today, the successful farmer is not the one with the strongest back. A gorilla has a pretty strong back, but cannot farm. It is what is above the farmer's ears that is as important as that above the business man's ears.

The fourth change is that from markets to apparent surplus. One thing that the farmer never considered 100 years ago was: What am I going to do with what I produce? So the change of always having a market to surpluses is something decidedly new.

Since the invention of the metal plow, since the invention of the reaper, for the first time since the morning stars sang together, has it been possible to say that there is no need, no real need for food shortage in the world. For six thousand years hunger and famine and starvation and privation and suffering have shocked the world, but today the farmers of the world, by using science and the ability that is theirs, can produce abundance for every section of mankind.

Of course, there are other problems. The fifth problem is another new one. It is a change of the challenge of distribution. The first problem of agriculture was that of production, but today marketing and distribution are more essential to the profitable farm life than is the problem of production. So then there looms another new, great problem, and that is the problem of what to do; how to find markets and how to market.

Then there comes another change



that is mentioned again and again, the change not only of vanishing world markets, but vanishing home markets; a change in food habits. You hear again and again the problem of a birth rate affecting agriculture and farm prosperity, but I am more concerned about the challenge of the waist line than I am about the birth control affecting farm products.

The seventh change, which I think is important to us for our consideration, is that that grows out of transportation. The automobile has been

mentioned; also the truck and the tractor. These factors have come into rural life and they have made a most startling change upon agriculture.

Much of our surplus problem is not a surplus problem at all; it is just a mechanical problem that has not been thoroughly adjusted to rural life. You give me back the market for feed for the horses and the work animals to do the work on the farms, and do the transportation on the road that once we had, and twenty or thirty million acres will come back.



## CAPITAL LETTERS



Being a monthly letter about items of special interest to you as a credit executive, from the nation's capital, by the Manager of the N. A. C. M.'s Washington Service Bureau.

Dear Reader:—

If your company is now, has been or will be a party to a Creditors' Extension Agreement you will be interested in the efforts which your Association is making to amend the *REVENUE ACT OF 1936*.

This new Tax Law fails to provide for debtor corporations which are trying to pay their debts under an extension agreement with creditors. Corporations in bankruptcy or receivership are granted an exemption from the corporate surtax, but corporations which are trying to avoid formal insolvency through cooperation with creditors, get no exemption except in cases where the wording of the extension agreement happens to bring the corporation under one of the exemptions provided in Section 26 of the law.

After a careful study of this situa-

## NATIONAL SURETY CORPORATION

VINCENT CULLEN President

### FINANCIAL STATEMENT

December 31st, 1936

#### ASSETS

Cash in Banks and Trust Companies . . . . .	\$ 2,303,552.76
Investments: . . . . .	
Bonds . . . . .	\$10,961,400.98
Stocks . . . . .	4,142,210.00
	15,103,610.98
Premiums in Course of Collection, Not . . . . .	
Over 90 Days Due . . . . .	1,127,245.06
Accrued Interest and Rents . . . . .	134,267.79
Reinsurance and Other Accounts Receivable . . . . .	105,734.74
First Mortgages on Real Estate . . . . .	136,600.00
Home Office Real Estate . . . . .	850,000.00
TOTAL ADMITTED ASSETS . . . . .	<u>\$19,761,011.33</u>

#### LIABILITIES

Reserve for Losses and Loss Adjustment Expenses . . . . .	\$ 3,972,476.95
Reserve for Uncashed Premiums . . . . .	5,283,157.59
Reserve for Commissions, Expenses and Taxes . . . . .	981,746.99
Reserve for Contingencies . . . . .	750,000.00
Capital . . . . .	\$ 2,500,000.00
Surplus . . . . .	6,273,629.80
Total Capital and Surplus . . . . .	8,773,629.80
TOTAL . . . . .	<u>\$19,761,011.33</u>

Bonds are carried on an amortized basis prescribed by the New York Insurance Department. Stocks are carried at December 31, 1936 market quotations. On the basis of December 31, 1936 market quotations for all bonds and stocks owned, this Corporation's total admitted assets would be increased to \$20,400,909.35 and the total capital and surplus to \$9,413,527.82.

Securities carried at \$1,423,753.60 are deposited for purposes required by law.

We hereby certify that the above Statement of Assets and Liabilities and Surplus correctly sets forth the financial condition of National Surety Corporation at December 31, 1936.

JOSEPH FROGGATT & CO., Inc.  
January 18, 1937.  
Public Accountants and Auditors.

tion and after obtaining the advice of tax experts, your Association has recommended to Treasury Department officials and members of Congress the adoption of the following amendment of Section 14 of the Revenue Act, which grants an exemption from the corporate surtax to certain types of corporations:

**PROPOSED AMENDMENT TO SECTION 14 (d) OF THE REVENUE ACT OF 1936.**

#### Section 14 (d) EXEMPTION FROM SURTAX:

(8) "Domestic corporations which for any portion of the taxable year conducted business under an agreement heretofore or hereafter executed in writing, with their creditors, pursuant to the terms of which the accrued indebtedness of the corporation to its creditors (other than creditors who are officers, directors, or stockholders of the corporation), is to be paid over a period of time, fixed or indefinite, during which no creditor who is a party to such agreement shall receive or accept payment on account of such debt except in accordance

with the terms of such agreement, or whereby the time for payment of such debt is extended in accordance with the terms and provisions of such agreement. Provided, however, that written application for the exemption provided herein be filed with and approved by the Commissioner of Internal Revenue, under regulations to be issued by him, as executed in good faith, and without intent to evade the provisions of this Act."

Whether this amendment, in the above or in a revised form, is adopted will depend to a large extent on the support given by local associations and individual members. Your local association has a copy of the complete statement which has been submitted in Washington. Ask your association officials about it and when you are informed that an amending bill has been introduced in Congress *write your Representative in Congress about it.*

This is an important, practical legislative job which may, if it is successful, be measured in dollars and cents value to your company either now or later.

A bill designed to provide uniform conditions governing sales and contracts to sell in interstate and foreign commerce has been introduced in the House by Congressman Chandler of Tennessee. The bill is H.R.1619 and is described as "*THE FEDERAL SALES ACT*". Among other things, it covers such questions as fraud, destruction of goods sold or contracted to be sold, definitions of expressed and

implied warranties, rules for ascertaining intention of sale, reservation of right of possession or property when goods are shipped, sale by auction, delivery, meaning of "acceptance", f.o.b. shipments, remedies of an unpaid seller, right of lien, stoppage in transit on buyer's insolvency and other aspects of sales. This bill, which is understood to have the support of outstanding legal authorities on the law of sales, should be carefully studied by business men. Further references to the progress of the bill will be made from time to time in this column.

Yours very truly,  
C. F. BALDWIN

### Corporate TV licenses

(Cont. from p. 7) stock for the issuance of dividends on common and preferred stock, for the maintenance of a "stock book," open for inspection to authorized persons. Entry in such stock book of all stock transfers is held essential to the validity of the transfer. The bill provides for the filing in the Bureau of Corporations of complete information before the corporation issues stock to purchase any property necessary for its business, such statement to contain a full description of the property involved, the number of shares to be issued and many other facts relating to the transaction.

In connection with increases or decreases of capital stock, election of directors, alteration in articles of association, mortgaging of property or franchises and other important changes in activities, the Act requires a two-

thirds vote of stockholders and makes other very positive stipulations regulating and limiting such activities. The full wording and intent of the provisions of the Act dealing with these sections of corporate financing and procedure are too lengthy to be presented here but should be studied carefully by business men.

Certain portions of the bill are of special interest to credit executives. Those portions deal with the powers granted to the Commissioner of Corporations in connection with corporate reorganizations and also with a suggested procedure in the event of corporate insolvency.

The bill provides that any corporation which is formed under the bill to take over the property and business of an existing corporation which is engaged in interstate commerce, pursuant to any plan of reorganization or reincorporation of such corporation, shall include in its articles of association a copy of the plan of reorganization. The bill imposes upon the Commissioner of Corporations the duty of inquiring into the fair value of the property and the business to be affected by the plan and to certify in writing, if such be the case, that the proposed stock issued pursuant to the plan does not exceed the fair estimated value of the property, and to indorse his approval upon such certificates. Such indorsement empowers the new corporation to issue the stock or other securities and to proceed with the plan of reorganization. Liability for mis-statement of fact in connection with this procedure is provided.

In the provision dealing with corporate insolvency the bill provides that, in the event of a corporation's failure to pay its written obligations or to satisfy an execution against its property, the Commissioner

(Cont. on p. 36)

## That Is Gold

"That is gold which is worth gold" might be interpreted as meaning that anything worth owning is worth protecting and that you can't afford to do without complete insurance protection. Many a man who economized on insurance premiums has spent a very great deal more to meet his own losses. We can tell you what your insurance will cost. You can't tell us what lack of insurance will cost you. You'd better hedge. We'll tell you how. Write.

SINCE 1854

THE PHOENIX  
INSURANCE COMPANY  
OF HARTFORD, CONNECTICUT

Cash Capital, . . . . . \$6,000,000.00  
Surplus to Policyholders, . . . . . \$30,839,324.64

## Which is

Which is worth the most to you, the small amount you'll save by not carrying complete insurance or the large amount we may have to pay you because you do? The mathematics of our business prove we can accept risks you can't afford to take.

SINCE 1850  
Connecticut  
FIRE INSURANCE CO.  
OF HARTFORD, CONNECTICUT

Cash Capital, . . . . . \$2,000,000.00  
Surplus to Policyholders, . . . . . \$15,070,293.55

## Worth Gold

Gold is not always in the form of ingots. When you need it most you may find it in an insurance contract.

SINCE 1859

EQUITABLE  
Fire & Marine Insurance Company  
PROVIDENCE, R.I.

Cash Capital, . . . . . \$1,000,000.00  
Surplus to Policyholders, . . . . . \$5,431,263.89

# Factoring's growth

by JOHNFRITZ ACHELIS,  
President,

Commercial Factors  
Corporation

Because, until recently, factoring was confined to the textile industry few bankers outside of textile centers had a clear idea of just what factors do and how factoring affects the banker's business. Lately, however, factoring has been adopted by several other industries. As a result, bankers in many non-textile cities are coming in contact with this, to them new, but actually old, business.

The factor passes on the credits of his client's customers, does the accounts receivable bookkeeping, buys the accounts receivable for cash, collects the accounts, and, on occasion, lends against the client's inventory of finished goods.

The factor has absolute control, from a credit point of view, of a manufacturer's sale; this oftener than not results in greater total sales and profits than were formerly possible. The factor is selfishly interested in having his client sell as much as he can, for his profit comes from interest and a modest service charge both of which are based on volume of sales.

The factor can often permit a client to sell to what might be called "borderline" accounts. Also, the factor can sometimes permit the manufacturer to sell much larger orders to a single customer than he conservatively could manufacture if he were carrying the entire risk himself. The diversification of the factor's business, added to his special credit information, permits him to do this with a minimum of risk.

Bankers quite rightly dislike to have a customer "hock" his accounts receivable. It is therefore important to differentiate clearly between factors and those financial concerns which merely *lend* against accounts receivable. The latter assume no responsibility for the credit of the customers. If an ac-

(Continued on page 35)

## MR. CREDIT MAN . . .

### "What is the effect of the Coinsurance Clause on your credit risks?"

"The subject of insurance protection has a vital connection with the credit man's appraisal of a credit risk. . . . The factors of interest to the credit man are the maximum of liability, the protection offered, etc., and the effect of the COINSURANCE CLAUSE.★

(Robert Young, Credit Representative, Carnegie Steel Company)

★ From  
"CREDIT AND FINANCIAL  
MANAGEMENT"

"The best description of the Coinsurance Clause (sometimes called the reduced rate contribution clause, the average clause, etc.) that I have seen," says the credit executive of a manufacturing concern, "is the one compiled by The Pennsylvania Fire Insurance Company. I think many readers of 'Credit and Financial Management' would find it useful—as I have—in explaining the Coinsurance Clause to their customers."



Established 1825

**The Pennsylvania Fire  
Insurance Company**

Date . . . . .

The Pennsylvania Fire Insurance Co.  
(Publicity Department)  
150 William St., New York City

Gentlemen:

Please send me, without obligation on my part . . . . .  
copies of your folder, "The Coinsurance Clause Explained."

Name . . . . .

Address . . . . .

City . . . . .

(Continued from page 16)

car as a new transaction. While the result may be the same, yet technically and legally they are two separate transactions.

You may also deduct the following unusual losses when the same are not compensated for by insurance or in any other manner, namely:

16. Damages to an automobile caused by icy pavement or freezing of motor.
17. Unsuccessful experiments.
18. Damages caused by fire.
19. Damages to residence caused by a bursting boiler or by fire or wind-storm.
20. Trees damaged by an ice storm.
21. Damage due to water pipes freezing or bursting.
22. Damages sustained due to theft.

You cannot, however, deduct for damage to household goods damaged in storage or while in transit, or for loss sustained due to sale of property used exclusively as a residence by yourself.

23. You may also deduct any personal property taxes you may have paid during the year 1936.

24. Real estate property taxes you may have paid during the year 1936, and any state income tax you may have paid during the year 1936, may be deducted.

In the following states only, state and city sales taxes may be deducted by the consumer:

Arkansas, California, Colorado, Idaho, Kentucky, Missouri, New York City, North Dakota, Ohio, Oklahoma, South Dakota, Utah, Washington, West Virginia and Wyoming, except on purchases of thirteen cents or less.

25. In the following state you may also deduct state cigarette tax if you are, a consumer:

Oklahoma, if you buy and affix the necessary stamps.

26. Please note you cannot deduct taxes paid under a state law on inheritances, successions and gift taxes.

27. Federal income tax, hunting, and fishing licenses are not deductible.

28. Passport fees, are not deductible.

29. Special Assessments on real estate, are not deductible.

You can, however, deduct the federal taxes you may have paid on safety deposit boxes, stamp taxes, also you can deduct taxes charged on telegram, telephone, cable and radio messages,

and on theatre tickets.

30. If you own a home or real estate and there is a mortgage on it, you can deduct, of course, the interest charges on the mortgage loans, as well as interest on any indebtedness you may have.

Please note for the first time, under the 1936 Act, amounts received by an individual for dividends are included in the gross income, not only for computing the sur-tax but subject to the normal tax as well.

These are just a few of the items to be on the lookout for which you can deduct when making up your income tax schedule, and if you are careful, you may save yourself considerable in the amount you may have to pay to the federal government.

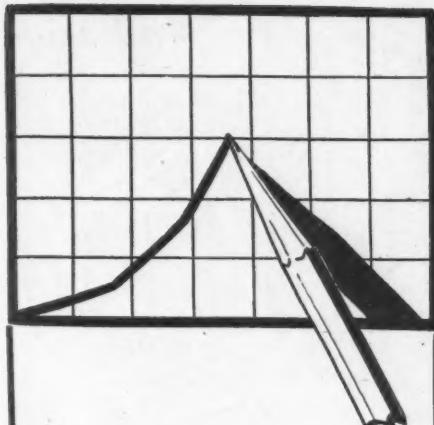
Bear in mind that there are a large number of other exemptions and non-taxable income items which I have not gone into, which may apply in particular cases. Also, special rules and regulations may govern in a few cases that will not apply generally to every one. For instance, in the case of a married person, he or she will have to decide whether it is advisable to file a joint return with either his or her husband or wife, or each file a separate return. In a number of cases it may be advantageous to file a separate return, although in the majority of cases, it is not necessary or advantageous.

Certain amounts received under annuity policies are not taxable while other parts are. State pensions are not taxable under the federal income tax.

Each one of you who has to fill out an income tax blank, will have to solve individual problems, but it is thought that this article may be of assistance to you in letting you know what you can and cannot do under the present federal income tax law.

### **C** No time **F** for fires!

(Cont. from p. 15) the National Board of Fire Underwriters, of the various stock fire insurance company regional organizations and of the individual companies are available to those who request them. These services are rendered freely, but unless industry takes advantage of all that is offered, the full benefits will not be obtained. Suggestions in general, as outlined above, may be applied to specific properties. Consult with your insurance agent or broker for cooperation in removing dangerous hazards to make your own property safe against fire.



## Is Your Insurance Keeping Pace With Rising Values?

It is very important that your properties be adequately insured in accordance with increased values. Especially if your policies contain a Co-insurance, Average or Contribution Clause.

In these times of mounting replacement costs it is imperative that insurance policies be checked frequently. And it is wise to place your insurance with the Northern Assurance Co., Ltd.

The Northern is an *old line company*. It is in its 101st year of operation. During the century it has pursued a steady, honorable and dependable policy and will continue to do so.

There is a Northern Agent in your city. His name and address will be supplied on request.

### **F**ree for the Asking

Write us for a copy of a handy and complete "Record of Insurance" book.

## NORTHERN ASSURANCE CO., LTD.

80 John St., New York

Chicago

San Francisco

FIRE

INSURANCE

AND

ALLIED LINES

Ask anywhere in the World what reputation the Northern of London bears.





## Office-ally



### The office manager's job

by I. A. Herrmann, Office Manager, Servel, Inc., Evansville, Ind.

For many years the office was considered a necessary evil and a good resting place for the incompetent. With the growth of the importance of office work, these ideas had to give way to a recognition of the fact that the office is a production unit whose efficiency is reflected in the balance sheet the same as any manufacturing department.

As a result of business expansion and changing conditions, a new position, that of office manager, was created. It falls within the scope of this job to supervise, develop and coordinate the work done throughout all departments in the office so that each task in its relation to the function of the entire office may be viewed impartially.

There is a tendency to place the responsibility for the management of office work in one person, regardless of his title, thereby establishing a focal point for centralizing office information.

To accomplish this, however, it has

been necessary to place the office manager in a position where he may have sufficient executive support to enable him to carry out his operating program effectively. In other words, he is given a definite place in the organization scheme and his line of responsibility is clearly marked.

Perhaps no other single position in an organization carries with it such a variety of miscellaneous responsibilities. The qualifications required of the individual are somewhat the same for every business and are as diverse as the duties he must perform.

Much depends on the versatility of the office manager. This individual must have a pleasing personality, a tactful manner, a practical background and the ability to exercise good judgment. He must also be alert, aggressive, creative, and studious. Furthermore, he should be a salesman and an instructor.

Primarily the office manager's job in a large organization is divided into two major functions,—personal activities and general supervision of the service departments.

Under personal activities are systems, methods and procedures for the office and factory; requisition and purchase of office equipment, furniture and shelving, supplies and printing; office planning and maintenance; the office personnel; schooling for office employees; and communications.

The other major function of the office manager is the general supervision of the service departments. These departments are directly controlled by a department manager reporting to the office manager, and include the mailing department, the print shop, a centralized stenographic and typing department, and a centralized filing department.

The office manager may report to either the president, general manager, secretary, treasurer, comptroller or auditor. His relation to the other department executives is on a cooperative and service basis.

### "Sittin' pretty"

A spring saddle chair seat that shapes itself to the position of the sitter, thus affording ease and relaxation, is said to be an entirely new design. Several seat supporting plates, extending from a central point, uniformly, evenly and automatically shape themselves to the

body form of the user, supporting him in any position. It can be utilized on almost all types of chairs and is made by the Zundel Seating Company, Inc., 542 South Los Angeles Street, Los Angeles, California.

In addition, the same company has on the market, says "Office Appliances," a natural posture chair incorporating the saddle seat aforementioned and a spring arc back having many resilient plates, all being so constructed as to support the occupant from the lower end of the spine to the shoulders, regardless of whether he is sitting upright or leaning back, making for extreme comfort.

Two new seat cushions, the Convertible and the De Luxe have been added to their Economy line by the National Office Cushion Company, 110 Grand Street, New York, N. Y.

The Convertible comes in three sizes and is one inch thick. The steno size, No. 33, is 14½ x 15½ inches; No. 44, side chair size, 15 x 17 inches; and executive size, No. 55, 17 x 18 inches. One side is of velvet corduroy and the other of woven cane, making for comfort in hot weather. They come in brown or green.

The same sizes mentioned above are also available in the De Luxe Cushion, made of velour. In addition, steno and executive sizes can be had in 1½ and 2 inches thick. This cushion holds its shape because of boxed edges. Green, blue, brown and maroon are the colors. Single structures of resilient new sponge rubber comprise both cushions.

### Sickness and jobs

A striking correlation between sickness and economic status and sickness and unemployment was found in a recent study by the U. S. Public Health Service. It showed a consistently higher rate of sickness among low-income families than among those on the higher-income levels. The families of the unemployed had about 50 per cent more cases of disabling illness than was found in families having a full-time worker. These results also corresponded with the situation found in regard to food supply; at income levels of less than \$3 or \$4 per person per week there was a marked tendency toward poorly balanced diets having less than the "safe" requirements of protective foods.

## Factoring's growth

(Continued from page 32)  
count is not paid, the lender looks to his client for the sum which he loaned against the bad account. Thus neither the manufacturer nor his bank are protected against bad accounts.

The factor, on the other hand, actually *buys* the accounts receivable without recourse on the manufacturer. The manufacturer gets his money as the goods are shipped and if the customer fails the factor stands the loss.

Perhaps the commonest objection that bankers and manufacturers who are unaccustomed to factoring bring up is the possible effect on concerns who buy from companies which factor their accounts receivable. They fear that when a wholesaler or retailer receives an invoice directing that the amount be paid to a third party he will suspect that the manufacturer is shaky and therefore an uncertain and unreliable source of supply.

There need be no fear on this score. Practically all large merchandising companies buy much of their merchandise from manufacturers who factor their accounts receivable. They have no prejudice against such suppliers. For one thing, they realize that the factored company, having a flexible, certain supply of cash, is not likely to be hampered in its production and that shipments will therefore probably be made as promised.

The spread of factoring to other than the textile industry has accounted in part for the fact that the annual business of factors, according to the Harvard Business Review, has increased from a total of about \$345,000,000 in 1928 to \$542,000,000 in 1933 and an estimated current total of \$650,000,000.

Since the total estimated capital of the factors of this country is only \$45,000,000 and it obviously requires much more, factors make liberal use of bank lines. Frequently a situation will develop in an account of a bank which can be cured by the use of a factor's services. In fact we have found that one of the principal sources of the development of our business has been that portion of it submitted to us by the banks, and we have always been glad to step in and work out a situation.

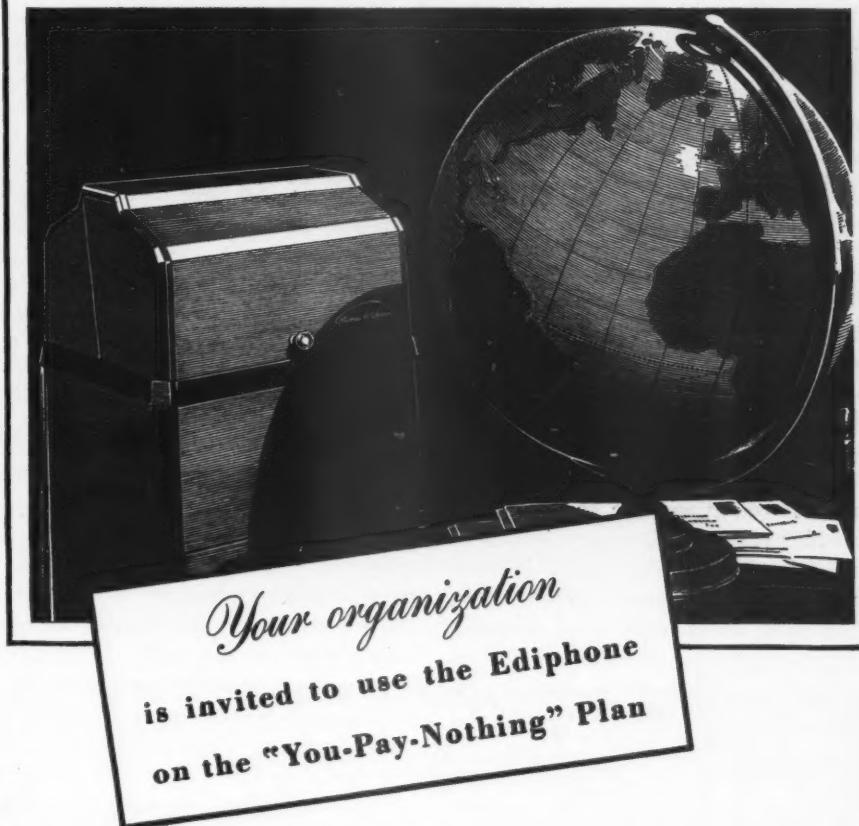
—“Banking”

**It is our opportunity:  
“Guard the Nation's Profits!”**



## On the Diamond Jubilee of Voice Writing—

Industry all over the world reports the  
**Ediphone Adds 20% to 50% to Business Capacity!**



THE genius of Thomas A. Edison has manifested itself in many ways. Among his great contributions to the smoother, swifter conduct of business has been the miracle of Voice Writing . . . born sixty years ago.

As the tempo of business raced faster and faster . . . as the factor of time grew more vital . . . the Ediphone became more valuable to executives. Today . . . with its many improvements . . . it is an A B C of the successful business man's equipment (providing Added Business Capacity) — as easy to use as a telephone.

With a Pro-technic Ediphone, you can simplify, regulate, your responsibili-

ties. Correspondence, reports, inter-office memoranda are written at the very moment you are ready to dictate. Important matters are never forgotten. The completion of your business day sees the *completion* of your business. And everything is accomplished with less effort!

Executives are invited to Voice-Write with the Ediphone in their office on the “You-Pay-Nothing” Plan, and to request a free copy of Professor H. L. Hollingworth's booklet, “Using Your Head.” For details, Phone The Ediphone, Your City, or address Desk CF-17, Thomas A. Edison, Incorporated, West Orange, New Jersey, U.S.A.

**Pro-technic  
Ediphone**

## Corporate licenses

(Cont. from p. 31) of Corporations may appoint a special agent to determine the financial condition of the corporation. Upon satisfaction that the corporation is insolvent or "of such unsound financial condition as to make its continuance in business contrary to the public welfare", the Commission may appoint a receiver of such corporation who will acquire possession of all of the property of the corporation and have all of the powers of an equity receiver. The receiver would, *under the direction of the Commissioner* take possession of all records and assets of the corporation, collect all claims and debts due to it and, upon court order, sell the corporation's property.

It is interesting to observe that while the wording of the bill only indicates that the receiver would operate "under the direction of the Commissioner" the next paragraph of the bill states "from time to time the Commissioner shall make ratable dividends of the money so paid over to him" by such receiver on all such claims as may have been proved to his satisfaction or adjudicated in a competent court of jurisdiction and to make distribution of further dividends.

Disproof of insolvency or unsound financial condition by a corporation is provided for in a subsequent section of the bill which also authorizes circuit or district courts of the United States, upon proof of solvency or of sound financial condition, to enjoin the Commissioner of Corporations and his receiver from all further proceedings and to discharge the receiver.

There has been as yet no significant indication of the sentiment of Congress with regard to the proposals of Senator O'Mahoney. It seems almost certain, however, that if hearings are held on the bill, a great many practical objections will be offered to certain of the bill's provisions. Even a casual reading of the bill discloses the difficulty of enforcing many of its provisions--even assuming that they could be enforced--which would create unfair and unnecessary hardships on business activity. How, for example, would it be possible for corporations to obey the mandate in the bill that reads, "all pay of employees shall be increased, and hours of work shall be reduced in ac-

cordance with gains in the profits and in the productive efficiency of industry arising from increased mechanization, improvements in technological methods, etc." Who would be the arbiter of the adequacy of such pay increases? By inference and by the authorization given in the bill to the Commission to secure from licensees all relative data as to production costs, prices and profits, "for the purpose of facilitating and rendering such collective bargaining more effective", the bill apparently contemplates that the Federal Trade Commission should be the authority on the question of wage increases.

The bill states that such data regarding the operations of a corporation shall be obtained by the Commission for the "confidential use of the representatives of the employees and employers". Whether it would be possible, in such use of the intimate operating details of a corporation, to preserve the confidential character of such information is another question which will probably be raised during consideration of the measure.

These of course, are only some of the more obvious questions which arise in connection with a casual reading of the bill.

### The Borah Bill

Senator Borah's bill (S-721), providing for the licensing of corporations engaged in interstate or foreign commerce, is much more moderate in terms than the O'Mahoney measure. As a prerequisite to obtaining a license to do business the bill would require a corporation to file with the Federal Trade Commission a sworn statement giving complete information regarding its operations, ownership, financial structure, salaries, contracts, operating results and other information. The bill provides that the Commission should deny application for a license only if the corporation would refuse to file such information or if the Commission finds that the applicant corporation is an unlawful trust or combination in violation of the anti-trust laws or that it is a party to any contract or other conspiracy in restraint of trade or commerce or is monopolizing or attempting to monopolize trade or commerce. The Borah bill further stipulates the nature of the reports which will be required by the Commission, authorizes investigation by the Commission and provides penalties for

violation of the statute.

### The Connery Bill

Representative Connery, Chairman of the House Labor Committee, has introduced a bill (H.R. 2881) which would also require a federal license for corporations engaging in interstate commerce. The bill proposes the establishment of a Federal Licensing Commission. Licenses would be issued only to those corporations which would agree not to transport or handle goods or commodities in the production of which any worker was employed for more than five days in any one week or for more than six hours in any one day except in certain special cases. The bill would also prohibit the issuance of a license to any corporation which would not agree to refrain from transporting any goods or commodities manufactured or processes by workers "who did not receive for their labor a just and weekly wage sufficient to permit such workers to maintain standards of living of decency and comfort". The bill would authorize the Commission to establish such minimum weekly wages. The bill would also withhold licenses from any corporation which transported or handled products involving any laborer under sixteen years of age, any contract of employment prohibiting a worker from joining a labor union of his own choosing or other acts against the exercise of collective bargaining.

The federal licensing bills which have thus far been introduced in Congress approach the question of federal control over business from different directions but by the use of the same device, namely, the requirement of a federal license for corporations engaged in interstate commerce. The O'Mahoney bill is an attempt to enforce, through the licensing method, a wide variety of requirements in connection with labor policies, corporate financing practices, corporation organization, unfair trade practices and the like. The approach of Senator Borah to the problem is almost entirely through a strengthening of the federal powers to prohibit monopolistic practices. Representative Connery's bill is primarily a labor bill and seeks to enforce certain requirements concerning labor through the use of a federal license.

All of the bills will undoubtedly receive a considerable amount of attention during the next few months.

## Make your letters sell

(Cont. from page 12) privilege to make of credit-department correspondence, tabulating the returns from form and dictated letters and strengthening the weak letters by using appeals from the successful letters, has increased the percentage of returns appreciably.

I have found that the second form letter in a series of three or more is usually the weak link. The reason in the cases I have observed seems to be that it simply repeats the mild reminder of the first letter. It should be made stronger by including an explanation of the terms, or an appeal to fairness in some form—or the use of the "approval factor" if at all possible.

This "approval factor," by the way, offers interesting possibilities. A charming young woman credit executive said after the Richmond Clinic, "I've always used the 'approval factor' and it's just common sense."

One of the largest public utilities has spent hundreds of thousands of dollars to find out that it is more powerful than fear, gain, curiosity, and other factors in the human mind. After much research, the leading psychologists agree!

A prominent credit manager wrote the salesmen of his company asking them to use it in making collections:

### How to Use the "Approval" Factor

About the time that you are reaching into your pocket for the statement to hand to the customer, make some remark praising his good business judgment. What kind of remark? There are thousands of them, and I am sure that most of you have a number of these at your command, but I will list just a few.

Tell him that he has a very efficient clerk—that his windows and display are certainly attractive—that his stock is neat and is as well kept as any you have ever seen—that you like his location, and so on.

Of course, it will be up to you to pick out a suitable remark, and a *truthful* one—I am sure that it will help to reduce the number of orders which we cannot release at once.

A member of our Louisville Letter-Writing Clinic last November decided to try the "approval factor" on some accounts that had been charged off. One had been incurred in February, 1932, for \$27.50. The usual collec-



## Rule of thumb

The trial and error method is no longer utilized by alert business men. Skilled technicians prepare exact specifications before a product is marketed.

Insurance buying too, has changed. Protection is no longer bought haphazardly. Today, skilled insurance counselors prepare comprehensive programs of insurance coverage. Your local Standard agent is a competent insurance technician, able to prepare a program of Casualty Insurance and Bonding requirements to fit the exact requirements of any business.

For 52 years, Standard of Detroit has furnished protection to business and individuals until today over a million persons are protected by some form of its Casualty Insurance or Bonds.

### STANDARD ACCIDENT INSURANCE COMPANY *Standard Service Satisfies*

tion treatment plus the efforts of a collection agency brought \$15.00, leaving \$12.50. At the close of 1935, the account was resurrected and a letter written offering to settle for \$7.00. The letter used phraseology such as, "person of your caliber," "we can't bring ourselves to believe it is your policy to accept goods and ignore the charge," "we believed in your honesty when the merchandise was sent you." The recipient answered, "Your letter is worth the \$12.50 and thanks for your leniency," and enclosed a check dated January 1, 1936.

On January 10, this check was returned marked "insufficient funds," and, determined to use the "pride-approval factor" for all it was worth, the credit executive sent another letter:

### Persistence

Was my face red when your check came back this morning marked "insufficient funds"! It was a real disappointment, too, (Cont. on page 39)



## Credit "Q's" and "A's"

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

### Robinson-Patman

*Q. If a dealer were not engaged in interstate commerce and because of that fact requested an allowance of discount deducted beyond regular published dates, would a creditor in permitting it be violating the Robinson-Patman Act?*

A. If the purchaser and seller are both within the same state, and there are no other facts involved, there is no violation of the Robinson-Patman Act. If, however, the seller grants a lower price to a person within his own state, than to a competitor situated in another state, which injures the latter, there would appear to be a violation of the Robinson-Patman Act, assuming that Congress has constitutional power to so provide. As to the power of Congress to so enact, there is grave doubt, but the Robinson-Patman Act in terms, attempts to do so.

### Assignment

*Q. Is a common law assignment binding on a creditor?*

A. Without examining the law of every state it is impossible to make an authoritative reply to this question, which will be applicable everywhere.

The general rule in the United States is to the effect that where an assignment for the benefit of creditors is made to a trustee and is accepted by the trustee, it is valid and binding on all creditors without their consent in the absence of fraud.

Assignments for the benefit of creditors are governed by statute in most of the states and decisions thereunder in each jurisdiction should be consulted.

### Judgment on all property

*Q. Does a judgment placed on record apply against property that a customer obtained after the date that the judgment is recorded?*

A. A judgment of record duly docketed becomes a lien upon all real property of the debtor and attaches to any real property which may stand in the debtor's name at any time that the judgment remains of record and unsatisfied.

### Hoisting and conveying losses

*Q. Where can we obtain a record of the number of accidents resulting from hoisting and conveying equipment for any one recent year?*

A. For 1934, the most recent available records, indicate 1,379 losses for a total of \$1,111,425, with an average cost of \$806 for each case, in the classification of accidents compensated, under the hoisting and conveying apparatus. 62.2 weeks was reported as the average for permanent partial disability as compared with 44.4 weeks as an average for all accidents.

### Auto insurance

*Q. Is automobile liability insurance for bodily injury and also, or also, property damage compulsory (Ohio)?*

A. No, except for public passenger and freight carrying vehicle or except as may be required by recent financial responsibility law.

### Insurance

*Q. What type of a policy should you have to protect you against suits for injury to a person caused by a fall in the entrance of your building?*

A. Owner's, Landlord's and Tenant's or Contractors and Manufacturers, depending on type of business.

# Credit Training

by the  
Home Study  
method

The next few years will see a whole new group of executives controlling business. Your chance to be one of them was never better—the requirements were never more clearly outlined.

Yesterday's viewpoint means oblivion for thousands of executives—today you must have an up-to-the minute mastery of certain underlying credit and business principles, and you must know how to apply them to the problems of tomorrow.

To help business men meet today's ever-increasing demands for a broader grasp of basic credit and business fundamentals, the National Institute of Credit has prepared a home-study training course covering Credits and Collections.

This course, designed to give you the greatest amount of credit training in the shortest possible time, is ideally suited to the limited spare hours of the busy business man. Consisting of lesson leaflets based on a recognized authoritative text, printed lectures by credit authorities, and typical credit problems selected from actual situations—the course assignments can be scheduled to suit your own convenience.

If you are engaged or interested in credit work, you do not need to be reminded of the significant part it plays in the commercial and business structure. Now is the time to use this practical means to prepare yourself for greater responsibilities just ahead.

**THE NATIONAL INSTITUTE OF CREDIT**  
One Park Avenue, New York Dept. 2-37

Please send me full information about your course in Credits and Collections.

Name.....

Street.....

City..... State.....

## Make your letters sell

(Cont. from page 37) after your sporting notation on the bottom of my letter.

We still think we are right about you and that something very unusual happened—perhaps too much Christmas or New Year's, and we are going to expect a money order or certified check by January 25.

The certified check arrived within the two weeks specified!

Insincere flattery, of course, has no relationship to the use of the "pride-approval" factor. It simply means giving people the credit that is due them. As the greatest letter writer in all history, Paul of Tarsus, said: "If there be any virtue, and if there be any praise, think on these things."

The big thing that faces the Credit and Collection expert is not only to do a tremendous volume of work, but to "keep his shirt on" while he does it. The failure of some customers to settle their obligations or their taking unfair advantage in making deductions should not impair a credit man's peace of mind to the point where he would retaliate, "I'll tell that so-and-so where to head in." Hard as it is to do, the credit department usually remembers Dwight Morrow's Rule 6, "Never take yourself (or anything else) too seriously."

I once heard a lecturer say that every man was eternally seeking what he believed to be good. He said that a man steals because he believes that by stealing he will gain good. A man murders another man because he believes that by doing so he will have more happiness and freedom. So, when a man buys goods and fails to pay for them, he is not doing this to hurt the firm, but because he cannot pay or because he believes he will gain something good. The credit people are alert to the wonderful opportunity they have in trying to teach the delinquent debtor to be more principled. His philosophy lifts the credit man above personal animosity or vindictiveness and enables him to maintain a friendly attitude.

Take a discount letter written by the Vice-President of a large paper jobbing house. "Friendship founded on fair business dealings," he said, "is one of the finest things we have." Here is his letter:

### About Discount

Your and our Companies have been close friends too long to permit a mis-

understanding about a trivial matter to continue, so we have put through your remittance as rendered including \$6.25 cash discount.

Strictly speaking, cash discount must be earned by prompt payment within a specified time; otherwise it could serve no purpose. Should there be no premium for promptness nor penalty for tardiness then why be prompt? That, as you, of course, very well know, was the principle upon which cash discount was designed and to endure must rest.

However, in your case we are taking the thought for the deed as we know now the circumstances were unusual and beyond your control and we hope you will never have occasion to think us small enough or so lacking in fidelity as to take advantage of a friend.

Often, the credit executive takes time to write a letter that has for its purpose no other aim than to build friendship. Here is such a letter, written at the opening of the past year:

### Appreciation for Prompt Pay

We have many evidences of your good business ability, fine spirit of co-operation, and continued friendship. You have repeatedly sent us financial statements, the last of which was received this morning.

You might be interested to know that you are always "out front," the first to know where you stand and the first to let your friends know that you had a good year.

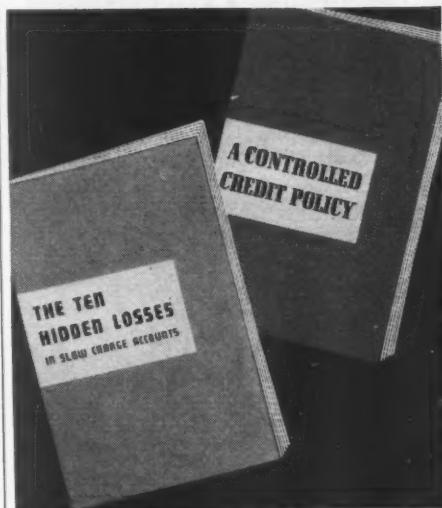
May we take this opportunity to thank you for the privilege of dealing with you, congratulate you for your good record, and tell you it is a real inspiration to think of you as a successful customer for the coming year.

"Our Credit Manager," said a firm's salesman, "writes such good letters that customers keep them and competitors can't sell 'em."

"I wish to tell you again," wrote one customer to a credit manager as he enclosed a check for \$96.67, "you have certainly made a life-long friend of me and if any time I can do anything for you or your company, I will consider it a privilege to avail myself of that opportunity." That is typical of many such letters.

The late Lewis R. Atwood, President of Peaslee-Gaulbert Corporation of Louisville expressed the credit executive's creed in part when he said, "Have this thought constantly before you; 'I am writing to a friend, not an enemy.'"

## SLOW ACCOUNTS COST MORE THAN BAD DEBTS! STOP THEM NOW!



### These FREE Books Tell How!

• How much are slow accounts costing you? Perhaps even more than you realize. For slow-pay customers cost money in each of ten different ways! Dr. Clyde William Phelps, Head of the Department of Economics, University of Chattanooga, points out these separate losses, and analyzes each, in his new and helpful booklet—"The Ten Hidden Losses In Slow Charge Accounts." Why not apply his analysis to your business—see just what your losses are?

Better yet, why not *cut down* these losses through the application of a controlled credit plan based on the credit practice of leading retailers? "Controlled Credit Policy" explains such a plan completely with exact instructions on how to apply it to your store.

### These Two Books—Absolutely FREE

These two books were developed for the Research Department of Household Finance Corporation as special surveys in its study of credit for the American Family. We will gladly supply them for your use without charge.

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- A Controlled Credit Policy

This request places me under no obligation in any way.

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City \_\_\_\_\_ State \_\_\_\_\_



## Court decisions



**SEAGRAM DISTILLERS CORPORATION vs. OLD DEARBORN DISTRIBUTING CO.** Illinois Supreme Court, (Jones, J.) decided June 17, 1936.

(Note: This case has been appealed to the U. S. Supreme Court.)

In this case the Fair Trade Act of Illinois (paragraphs 8-11 of Ch. 140 of the Laws of 1935) was held constitutional and not a burden on interstate commerce because it prohibits a corporation operating retail liquor stores in Chicago from wilfully and knowingly advertising or selling whiskies and gins, bearing labels and trade marks at less than prices stipulated in contracts which wholesale distributors have entered into with Seagram Distillers Corporation, a Delaware corporation which buys the whiskies and gins from producers in another state and sells them at wholesale in Illinois.

Seagram Distillers Corporation maintains a warehouse in Chicago, and all its purchases are delivered there from the producers. The products are delivered to its customers from its Chicago warehouse. They are not interstate transactions.

The court stated that the plaintiff could maintain its action for an injunction restraining the defendant from violating the Fair Trade Act, holding that the defendant's contention that the plaintiff did not come into court with "clean hands" because it had entered into a conspiracy to stifle competition, and fix prices in restraint of trade, was without merit.

The court said:

"There is no showing, nor even an attempt to show that plaintiff has entered into

an agreement or understanding with any other person or corporation in a like situation to maintain or control the sale price or resale price of any commodity handled by it. Nor does the fact that defendant is a wholesaler take the transactions without the terms of the statute. It does not deal directly with plaintiff. If it desired to purchase at wholesale from plaintiff it would be in the same class as other distributors to whom plaintiff sells. The relation between plaintiff and the wholesalers to whom it sells is different from the relation among such purchasing wholesalers. It is the same relation that the wholesaler bears to the retailers to whom he sells.

"Contracts between plaintiff and wholesale distributors, or between distributors and retailers, are denominated vertical price-fixing contracts. Such contracts are permitted by the statute. Contracts between producers or between wholesalers or between retailers as to sale or re-sale prices are denominated horizontal price-fixing contracts and are not within the terms of the statute because of their character as combinations in restraint of trade. Such contracts are uniformly held invalid. The admitted facts show that the transactions in controversy belong in the class of vertical price-fixing contracts, which are not subject to the contention urged."

*IN RE GOLDSTEIN (U.S.D.C. Southern Dist. of N. Y. 1935) 13 Fed. Supp. 991; IN RE LAZAROFF, U.S.D.C. Southern Dist. of N. Y. Mar. 18, 1936; Affirmed by the Circuit Court of Appeals for the Sec-*

ond Circuit, July 6, 1936.

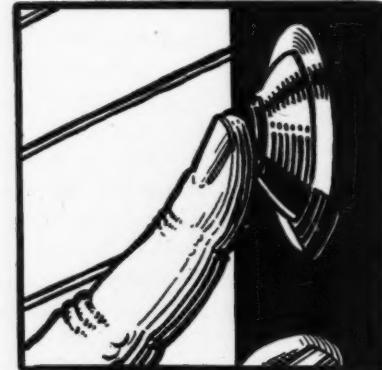
The claim of the City of New York for retail sales tax is not entitled to priority in bankruptcy as it is not a claim for taxes but a mere debt. The City Sales Tax Law imposes a tax upon the purchaser and the only obligation of the vendor is to collect and account for the tax. The vendor may, therefore, be liable as a debtor but not for a tax and debts due to the City are not given preference under the Bankruptcy Act.

• • • •

**HOME OWNERS LOAN CORPORATION vs. HARDIE & CAUDLE, Tennessee Supreme Court (Cook, J.) decided July 6, 1936:**

In this case a judgment creditor of one of the employees of the Home Owners Loan Corporation was held not to be entitled to garnishee the employee's salary, the Court holding that in the absence of statutory authority, the immunity of the United States from garnishment extends to one of its agencies. The opinion states:

"Unlike the Federal Land Bank, none of the stock of the Home Owners Loan Corporation is issued to private individuals. The defendant has no property that could be subjected to execution, attachment or garnishment for the reason that all its funds are in the custody and under the control of the Treasurer of the United States. The salaries of the employees of the Home Owners Loan Corporation are payable by warrant upon the United States Treasury."



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# NEWS ABOUT CREDIT MATTERS

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FEBRUARY, 1937

## Big Conference On Bankruptcy to Be Continued

### Legislative Group to Hasten Work on New Measure

Careful study and fine cooperation continues among the organizations making up, along with the N. A. C. M., the National Bankruptcy Conference together with those in authority in Washington interested in amendments to the Bankruptcy Act.

The Chandler Bill is being published and should soon be in shape for introduction. Further careful study is being made, particularly on Corporate Reorganization (77b), and it is believed that before long intelligent legislation sponsored by representative business and governmental interests will be introduced.

Already there have been, as usual, many independent and miscellaneous bills introduced to amend the Bankruptcy Act. Notable among them is the re-introduction by Celler of New York of a bill to protect guarantors in reorganization proceedings. This bill was opposed by the N. A. C. M. last year.

Also, the Sabath Bill is being introduced to create an office of the Conservator in Bankruptcy, which likewise was successfully opposed last year. These two bills furnish concrete examples of the necessity of eternal vigilance in our legislative work.

Other minor bills have been introduced to apply to wages due workmen, etc., salaried referees, amortization of wage earner debts, regulation of bond holders' committees, and changes in the Municipal Reorganization Act. While not applying to the Bankruptcy Act, there will be much interest in S. 10, the O'Mahoney Bill, to regulate corporations. It applies to organizations in that it provides for governmental supervision in the matter of transfer or sale.

*Ivy M. Wallace  
New Leader of  
Seattle Women*



Seattle.—The Seattle Credit Women's Club enjoyed an interesting and unique program on Monday evening January 11th. The committee in charge kept the plans for the evening a dark secret only advising the members to meet at the office of their president, Miss Ivy Wallace, at six o'clock sharp.

The forty-five members who were present were then extended New Year's greetings by the committee and their president. After a short business meeting the members were taken by cars for a visit of the famous Chin Hong Restaurant at 517-7th Avenue, South. Miss Mary Hong acted

(Continued on page 43)

### Richmond President Is Captured by Dan Cupid

Richmond.—Delegates at the National Convention held in Richmond last June will recall that the genial president of the Richmond Association, E. R. Patterson, was pointed out as one of the most "eligible bachelors" of the Richmond area. Now comes news of Mr. Patterson's marriage on January 14th to Miss Margaret Scott Dicks.

After a wedding trip to Florida and Cuba, Mr. and Mrs. Patterson will make their home at "Coventry Cottage" at 4503 Coventry Road in Windsor Farms on February 1st.

### CORRECTION

On pages 6, 7 and 8 in the January issue, Assistant Executive Manager David A. Weir presented a very interesting review of the Robinson-Patman Act which deserves the close study of every business executive.

Attention is called to a typographical error in the second line of the first column on page 7 of Mr. Weir's article. The word 'not' was omitted between the words 'and' and 'underselling'. The entire sentence should read "It should be noted here that the intent of the act seems to permit only meeting the lower price of the competitor and *not* underselling him."

This typographical error makes a very decided difference in the meaning which Mr. Weir wished to present.

### Judge Knox Rules Bankrupt May Be Quizzed on Losses

Federal Judge Knox on January 11th made a ruling of decided interest in all bankruptcy cases when he ordered that Nathan Kaplan, Jess Marks and James Rubin, trading as the Beta Wear Textiles, must give a satisfactory explanation of the loss of assets and deficiency of assets before they can be granted a discharge in bankruptcy. This case had been given a hearing before a special master and the latter had recommended a discharge.

### Credit Men of Paper Industries Will Hold Mid-West Conference

Chicago.—The credit group of the paper box and paper board industries will hold a mid-western credit conference at Hotel LaSalle, Chicago, on February 19th, under the auspices of the Chicago Association of Credit Men. This group meeting is a mid-winter session of the paper industry group which has held several important sessions at the time of NACM's national convention.

### Mid-Year Meet Of Natl. Board At New Orleans

### Full Attendance of Directors Studies Association Plans

The National Board of Directors held its mid-year meeting in New Orleans on January 7th, 8th and 9th.

The meeting was presided over by President E. Pilbury. Those present were:

L. J. Bradford, Lunkenheimer Co., Cincinnati, Ohio, vice-president Central Division; H. S. Collinsworth, Gramling and Collinsworth, Atlanta, Ga., vice-president, Eastern Div.; W. S. Gruber, Imperial Candy Co., Seattle, Wash., vice-president, Western Division.

Osbon W. Bullen, Lever Brothers Co., Cambridge, Mass.; C. S. Fensom, Watkins-Cottrell Co., Richmond, Va.; F. J. Hamerlin, Lilly Varnish Co., Indianapolis, Ind.; V. F. Hutchins, General Elec. Sup. Corp., Detroit, Mich.; V. F. Kimbel, Ballard and Ballard Co., Louisville, Ky.; L. W. Lyons, Westinghouse Elec. & Mfg. Co., East Pittsburgh, Pa.; J. A. McBrien, Jorden Stevens Co., Minneapolis, Minn.; E. E. Ogren, The Stanley Works, New Britain, Conn.; John L. Redmond, Crompton-Richmond Co. Inc., New York City, New York; A. T. Rickards, Sharp and Dohme Co. Inc., Philadelphia, Pa.; W. H. Schmidt, Pittsburgh Plate Glass Co., Des Moines, Iowa; Ray S. Shannon, Weyenberg Shoe Co., Milwaukee, Wisc.; W. F. Smith, Chattanooga Medicine Co., Chattanooga, Tenn.; R. K. Sybert, Hage's Ltd., San Diego, California; E. M. Tourtelot, First Natl. Bk. of Chicago, Chicago, Ill.; B. R. Tritton, American Stove Co., Cleveland, Ohio; Harvey L. Welch, First National Bank, St. Louis, Mo.; R. C. Wilson, First National Bank, Salt Lake City; Frank A. Worth, Spencer Kellogg and Sons, Buffalo, N. Y.; Fred Roth, The Whitney Roth Shoe Co.

Cleveland, Ohio; F. E. Barkley, C. M. McClung, Knoxville, Tenn.

Henry H. Heimann, Executive Manager; David A. Weir, Assistant Executive Manager; E. B. Moran, Director Central Division; Brace Bennett, Director Membership and Promotions; R. A. Colliton, Director Central Credit Interchange Bureau; W. S. Swingle, Comptroller.

This meeting was one of the most constructive the National Board has ever held, and as result of its deliberations the membership generally can look forward to intensive Credit Interchange Development, and increasing interest in education and legislative work.

The New Orleans Credit Men's Assn. held its annual dinner-dance on January 7th in honor of the National Board, Officers, Staff and Visiting ladies. Mr. G. E. Brister, Vice-President of the New Orleans Association presided. National President Pilsbury extended the address of welcome. Executive Manager, Henry H. Heimann spoke on "NEW BUSINESS PROBLEMS."

There were approximately three hundred persons present.

Executive Manager Henry H. Heimann addressed the Members' Council of the New Orleans Association of Commerce at luncheon on January 7th. His talk was most interesting and well received.

The visiting ladies were entertained at a luncheon at the "Patio Royal" and on the last day of the session the visitors were taken by busses to Baton Rouge, the Capitol of Louisiana stopping off on the return trip at Godchaux Reserve Sugar Refinery where they witnessed the entire process from the loading of the sugar cane in the field to the refining of granulated sugar. Luncheon was held in the afternoon at the Colonial Country Club.

A tea to the visiting ladies was given by Mrs. E. Pilsbury, wife of the National President.

### Death of F. M. Couch Is Mourned in Los Angeles

Los Angeles.—Members of the Los Angeles Credit Men's Association mourn the death early in January of Frederick Morton Couch. He was a former president of the Los Angeles Association and also served on the National Board of Directors of the National Association.

## ZEBRAFFAIRS

Tacoma. — Nine members were initiated into the Royal Order of Zebras and two more were made honorary members at the annual Round-Up Meeting of the Tacoma Herd on January 12th. Zebras from Seattle also were in attendance.

Those named honorary members were: W. W. Keyes, attorney for the Tacoma Association, and Mrs. Van Vlack, who has been very active in association work and has secured several new members. Mrs. Van Vlack was not present at the Round-Up or initiation, but as a gesture of good will she was unanimously elected an honorary member of the Tacoma Herd.

The Tacoma Association has only started on its membership drive for the year, but has so far enrolled twenty-three new members and hopes before the date of the National Convention to have at least fifteen additional new members.

The following were initiated at the Round-Up Meeting on January 12th: O. H. Judd, West Coast Grocery Co.; P. W.

Bourgaize, Central Bank; C. F. Smith, Standard Oil Company; J. V. Brosamer, Tribune Publishing Company; A. R. Whitman, Puget Sound National Bank; E. W. Edwards, Centennial Flouring Mills; Al Newman, Olympia Creamery Co.; Fred Pease, Pease Bros.; S. L. Crawford, John Dower Lumber Co.

Oakland, Cal.—The third annual Christmas dinner dance of the Wholesalers Credit Association of Oakland, sponsored this year by the Zebra Herd under the general chairmanship of Exalted Zuperzeb, L. Wallace Bane, was a very successful event held at the well known Hotel Claremont, Berkeley, California, Saturday evening, December 19th.

Grand fun for all with "Eat, Drink and Be Merry" as the slogan, and even Santa Claus put in an appearance to award the many prizes (Christmas presents) donated by the various firms. Over 250 in attendance and a great time was had by all.

### Tells of Winning Sales by Work of Credit Divisions

Chicago.—Dean Ashby, Manager of Credit Sales of the M. L. Parker Company, Davenport, Iowa, was one of the principal speakers at the Credit Men's Forum of the Chicago Association of Credit Men held at the Hotel LaSalle on Wednesday evening, January 6th.

Mr. Ashby presented a lot of valuable information regarding the experiments which he has made and the methods which have been successful in promoting sales through the Credit Department. Mr. Ashby's message was entitled "Developing Sales Through the Credit Department".

Dr. E. H. Hahne, Professor of Economics, Northwestern University, also spoke on the "Industrial Outlook for 1937".

### A. H. Thatcher Elected Chattanooga President

Chattanooga.—A. H. Thatcher, treasurer of the Standard Coosa-Thatcher Company, was elected president of the Chattanooga Association of Credit

Men at the annual meeting on Tuesday, December 29th. Mr. Thatcher was named to succeed C. G. Murdock.

M. C. Beverly, Armour & Company, was named first vice president; J. F. Mowrey, McKesson-Duff Drug Company, second vice president and C. H. McCollum, secretary.

### Emmett Barbee Back from Recent Operation

Oklahoma City.—Many friends of Emmett E. Barbee, Secretary-Manager of the Oklahoma Wholesale Credit Men's Association in the Southwest area will be delighted to learn that a recent emergency operation proved entirely successful and that Mr. Barbee is again back at his office after a short time at an Oklahoma City Hospital. Mr. Barbee is taking work easy for the next few days and hopes to be back in regular harness again by the middle of February.

Others in the Oklahoma Wholesale Credit Men's Association office have been ill since the holidays but the staff is now back in form for regular routine in handling office work.

## Methods Group Holds Annual Winter Session

The Credit Methods and Practices Committee met in New Orleans on January 5th and 6th. This meeting was presided over by Mr. Fred J. Hamerlin, of the Lilly Varnish Co., Indianapolis, Ind., as Chairman. Those present included:

H. S. Collinsworth, Gramling and Collinsworth, Atlanta, Ga.; F. E. Barkley, C. M. McClung, Knoxville, Tenn.; O. W. Bullock, Lever Brothers Co., Cambridge, Mass.; V. F. Kimbel, Ballard and Ballard Inc., Louisville, Ky.; F. J. Hamerlin, Lilly Varnish Co., Indianapolis, Ind.; H. E. Engstrom, G. Sommers and Co., St. Paul, Minn.; R. C. Flom, Menasha Products Co., Menasha, Wisc.; G. P. Horn, Secretary, Omaha Assn. of Credit Men; Orville Livingston, Secretary, St. Louis, Assn. of Credit Men; H. M. Oliver, Secretary, Pittsburgh Assn. of Credit Men; J. F. O'Keefe, Secretary, Chicago Assn. of Credit Men; R. A. Piske, Jauert Brothers Inc., New Orleans.

Executive Manager Henry H. Heimann; R. A. Colliton, Director, Credit Interchange Bureau Department; Dave Weir, Assistant Executive Manager; Brace Bennett, Director of Sales and Promotion; E. B. Moran, Director Central Division were also present.

The committee had intensive and constructive sessions during the two days meeting and submitted their deliberations to the National Board of Directors.

### Quaker "C" Men Join C. of C. to Hear of U. S. Taxes

Philadelphia, Pa.—A joint meeting of the Credit Men's Association of Eastern Pennsylvania and the Philadelphia Chamber of Commerce held on Tuesday January 26th heard a very interesting and instructive explanation of the new Federal Revenue Act of 1936 given by Arthur H. Kent, Acting Chief Counsel for the Bureau of Internal Revenue at Washington.

Mr. Kent has been Professor of Law, Secretary of a law school and Dean of the Pre-Professional students at the University of Chicago, Law School. He has also written a number of articles and book reviews on various legal subjects.

## Advise Against Change in Firm to Beat Taxes

Is it advisable to sacrifice the protection which is afforded by the corporate form of organization in order to effect a nominal saving in the amount of taxes paid?

This question is presented to all merchants by the members of the Uptown Credit Group. In recent weeks there has been wide-spread publicity accorded to the Revenue Act of 1936, in its effect on the taxes which will be imposed upon corporations.

The general impression is that the corporation appears to be the most desirable form of business organization from the point of view of both debtor and creditor. It offers limited liability to stockholders. The sale or transfer of stock in a corporation by any stockholder does not affect the continuation of the business. Being a creature of the law, the corporation possesses only those powers granted it by the law. Death of any one of the officers does not necessarily terminate the business. Personal creditors of the officers or stockholders have no recourse to the assets of the corporation.

In some instances, dissolution of the corporation would be very expensive. In any event, there is no particular advantage in dissolving the corporation at this time, inasmuch as taxes must be paid on the corporate basis until dissolution. Moreover, most of the authorities consulted were of the opinion that revisions may be made within the next year tending to equalize the difference in taxation now existing between partnerships and corporations. There may be instances in which the individuals in corporations will be inclined, perhaps with some justification, to take any steps which will lighten the tax burden. The Group is of the opinion however, that the difference in the cost of taxation is comparatively unimportant when compared with the benefits enjoyed as a corporation and that those contemplating dissolution should give consideration to all factors involved.

The Group plans to continue study of the new tax bill, especially as it affects customers. The effect of the new Federal tax measure is being given close study by a number of trade associations.

## "Chuck" Baldwin's Dad Refuses to be Put on Shelf by Uncle Sam

Washington, D. C.—Some men are old at sixty and ready to retire before the fireplace at home. Other men are young at that age and ready to tackle a new job. In the latter classification is C. S. Baldwin, father of our Charles F. Baldwin, manager of the NACM Washington bureau.

Mr. Baldwin, Sr. at the start of the year retired from Government service after a number of years in the Consolidated Returns Section of the Bureau of Internal Revenue in Washington, and is opening an office for handling tax matters for a few selected clients who have urged

him to take care of some of these important matters for them.

So while Mr. Baldwin has reached the age when the Government placed him on the retired list, after serving seventeen years in the Internal Revenue Bureau, he is still so young and sprightly that he refuses to be put on the shelf.

In place of working for the Government, his efforts will be for the benefit of a small number of clients. For the present Mr. Baldwin's office will be at 110 Hesketh Street, Chevy Chase, Maryland, which is a suburb only a short distance from the Capital City.

## Another Conviction Is Chalked to Credit of Natl. Fraud Section

New York, N. Y.—The Fraud Prevention Department of the National Association of Credit Men chalked up another conviction on January 13th when Adolph Muscarella, head of the Dominion Sportswear Co., 1412 Broadway, was sentenced in U. S. District Court to serve a pris-

on term. The prosecution in this case was based on a charge that Muscarella had submitted a false financial statement and had withdrawn approximately \$1,700 in cash from his business shortly before the petition under 7-B was filed.

U. S. Attorney Burns told the court that the financial statement submitted by Muscarella as of December 31st, 1934, had been inflated to the extent of about \$8,000.



Fresno, California. — The Fresno Herd of the Royal Order of Zebras were hosts to more than two hundred members and friends of the Fresno Chapter, Credit Managers Association, in the Ball Room of the Hotel Californian in Fresno, Saturday, December 19th, 1936.

These same Zebras plan to be hosts to the herds from other associations in California in a roundup to be held in Fresno during one of the early months in 1937.

The Zebras shown in the picture are:

Seated left to right: D. K. Harvey, Credit Mgr., Automoto-

tive Supply Co.; R. J. Druay, Credit Mgr., Zellerbach Paper Co.; Doris Conklin, Ass't Credit Mgr., Zellerbach Paper Co.; Harry Hinchee, Credit Mgr., Swift & Co.; Thelma Carnine, Credit Mgr., Better Buy Whsl. Groc.; Ralph King, Cr. Mgr., General Elec. Supply Co.

Standing left to right: F. J. Ratliff, Credit Mgr., W. P. Fuller & Co.; K. L. Hampton, Credit Mgr., Valley Electric Supply Co.; M. F. Wistrom, Secy., Madary Planing Mill & Box Company; C. E. Steiner, Mgr., General Box Distributors; Ralph Price, Sec'y-Mgr., Fresno Chapter-Credit Managers Association.

## Ivy M. Wallace New Leader of Seattle Women

(Continued from page 41)

ed as guide and hostess pointing out the traditional Chinese pictures and hand-carved furniture. A short trip then was taken to the Golden Pheasant where the private dining room had been decorated in the Chinese motif, including chop sticks and other Chinese decorations. A five-course Chinese dinner was served. After the dinner Miss Hong, acting further as hostess, presented a Chinese Fantasy, which was given by two little Chinese girls dressed in the yellow and green costumes of their native land. The Hon. Y. Zing Loh, Chinese Consul in Seattle, was the speaker at the dinner.

The Seattle Credit Women's Club, successfully completing the first half of the 1936-1937 year is looking forward to the New Year with keen anticipation. Under the leadership of Miss Ivy May Wallace, fourteen new members have been added to the roster, now totaling seventy-five.

Each monthly meeting has been under the complete direction of a different chairman and five assistants who make all plans from dinner appointments to the speaker. This idea has met with great enthusiasm giving each member an opportunity of doing her share in bringing educational and enjoyable meetings to the club, besides the closer friendships made between the new and older members while serving on these committees.

## Bank Economist Talks At Rochester Meeting

Rochester.—J. H. Riddle, economist of the Bankers Trust Company, was a speaker at the annual Bankers' Night of the Rochester Association of Credit Men held at the Hotel Seneca on January 13th. Since Mr. Riddle is economist for the commission on banking law and practice of the Association of Reserve City Bankers as well as economist for the Bankers Trust Company of New York, he spoke with authority on the subject "Current Trends in Banking" and presented a number of interesting ideas for the credit men to consider in the next few months. Elmer J. Milliman of the Union Trust Company, Rochester, was Chairman of the committee in charge.

## In Grand Rapids:-- The Men Behind the Association



The Board of Directors of the Grand Rapids Association of Credit Men

From left to right: M. N. Zeigler, John Widdicomb Co.; R. E. N. Arver, Wolverine Shoe & Tanning Co., Rockford; Edw. DeGroot, Secretary; Harry Joling, Knape & Vogt Mfg. Co.; C. F. Anderson, Grand Rapids Varnish Co.; Fred E. Olson, Grand Rapids Gas Light Co., 1st Vice-President; E. B. Neuman, National Brass Co., President; Henry Verhoek, Old Kent Bank, Treasurer; Geo. E. Smith, James Bayne Co.; Geo. Erhardt, Breen & Halladay Fuel Co.; A. F. Zoellner, John K. Burch Co.; Wm. H. Maurer, American Seating Company.

Is it possible to place an actual dollar valuation on Association activities? What, for instance, is the dollar value of a membership in the Grand Rapids Association of Credit Men whose Board of Directors is pictured above?

What is the exact dollar value of the legislative activities of the Association to its individual members? Can it be computed in terms of actual losses prevented or increased dividends received? What is

the actual dollar value of the educational activities of the Association? The Fraud Prevention program of the Association resulted in a return of assets almost equal to its total cost, but its greatest value lay in its deterrent feature. How can that be measured in terms of dollars?

Is Credit Interchange Service to be measured solely in terms of actual reports received? The accuracy and reliability of the reports are un-

questioned, but what is the actual value the Association has rendered its members by providing the value and practicality of a continuing exchange of ledger experience information between its members?

Associations such as Grand Rapids are necessary to accomplish those things whose value is beyond measurement in terms of actual dollars. An Association membership has a value beyond measurement in terms of dollars.

## San Francisco Has Novel Plan For a Contest

San Francisco.—The Credit Manager's Association of Northern and Central California is now engaged in a membership campaign, which, doubtless, will result in a number of additions to the San Francisco roster and also in additional delegates from this Association to the NACM Convention in Chicago next June.

The contest is on the following basis: One Association membership, one point; Interchange membership from an Association member, three points; Construction Bureau membership from an Association member, three points; a new Association membership including an Interchange membership, four points; a new Association membership including a Construction Bureau membership, four points; a complete membership, the new member taking out membership in the Association, membership in the Interchange Bureau, and membership in the Construction Industry Bureau, seven points.

A total of fifty points wins \$100. towards convention expenses; sixty points wins \$120.; eighty points wins \$160.; each additional point over the required points provides \$2.00.

Those scoring under fifty points are also given a chance at a trip to the national convention in the following manner: each four points entitles the contestant to have one card bearing his name put into a hat. The winner of the drawing will be sent to the national convention as delegate-at-large with an expense allowance of \$150.00. The last name drawn from the hat will be awarded the trip to the convention. If the person drawing the last name cannot go to the convention, the person having the second from the last name drawn will be given the award.

## Milwaukeeans Study New Tax at Forum

Milwaukee.—The Credit Class held by the Milwaukee Association on Wednesday, January 20th, heard an interesting address by E. M. Keays, Economic Advisor and Counsel for the Securities Company of Milwaukee, on the subject of "Economic Effects of the Undistributed Profits Tax Legislation".

On January 26th, Roy Stone presented the main subject.

## Credit Careers



E. J. Sather, Credit Manager of the Colt's Patent Fire Arms Manufacturing Company, Hartford, Conn., who was recently named Assistant Secretary of this well-known fire arms corporation, is known throughout New England as a "sales-minded" credit manager.

Mr. Sather began his business career in 1919 after spending two years with the 26th Division in France. He was a member of the 101st Machine Gun Battalion of that Division having enlisted as a member of the Cavalry of the Connecticut National Guard in April, 1917.

Just before his enlistment, Mr. Sather was graduated from Trinity College in Hartford with a degree of Bachelor in

Science, having majored in modern languages and economics, his intent being to enter the foreign service of one of the larger banks in New York City. These plans, however, were upset when war was declared and Mr. Sather enlisted in the Hartford unit, together with a number of his college friends.

Upon his return from the front, Mr. Sather obtained a position with the Johns-Pratt Company, of Hartford, where he spent three years in the factory, learning various processes of manufacture. After this term in the factory work, he had experience and training in production, sales and service departments. In 1922 the Johns-Pratt Company was purchased by the Colt Patent Fire Arms Mfg. Co., and Mr. Sather was continued as an employee of the division of the Colt Company. He served as assistant purchasing agent from 1923 to 1928 and was appointed credit manager in 1928. In July 1936 he was elected Assistant Secretary of the corporation continuing his duties as credit manager.

Mr. Sather has served as secretary-treasurer and then as president of the Hartford Association of Credit Men and is at present time serving as a director of the Connecticut Association of Credit Men.

## First Account Forms Studied at Newark, N.J.

Newark.—A meeting for members only was held early in January by the New Jersey Association of Credit Men at Loft's Restaurant in Newark. The program of the meeting was under the direction of the Committee on Credit Methods and Practices. J. J. Jenkins of W. B. Driver Co., Chairman, G. Hofferer, Philadelphia Dairy Prod., Co., A. E. Alpaugh, J. J. Hockenjos Co., and A. L. Trietman, American Motor Specialties Co.

Member firms of the Association contributed to a large exhibit of forms used by their salesmen and the credit department on opening new credit accounts. The exhibit included forms used by manufacturers, wholesalers, and retailers in many different lines of trade. After the exhibit Mr. J. J. Jenkins and Secretary William H. Whitney led a discussion on the several types of forms in use in the different industries and on the manner that further credit investigation is developed from the information noted on the salesman's report.

Mr. Whitney pointed out that credit men's associations throughout the country were conducting credit forum meetings for exchange of ideas on basic methods used in credit departments. The increase in the volume of business has intensified the work and the importance of the credit department so that credit men study ways and means of increasing the efficiency of their department.

Mr. Hampton M. Auld, Jr., presided at the meeting.

## Louisville Credit Women Hosts to Crowd at Holiday Entertainment

Louisville.—Despite many other Holiday attractions, 82 attended the Christmas party of the Credit Girls' Club of the Louisville Credit Men's Association at the Seelbach Hotel, Monday evening, December 28th. The room and tables were attractively decorated, and guests were greeted in the foyer.

The meeting opened with community singing, during which Santa Claus made his entrance with presents for everyone. Chairman Margie Schubnell of Ballard and Ballard Co. presided, and introduced former Circuit Judge Eugene N. Dailey, who captivated the audience with his humorous anecdotes and jokes. His Address was entitled: "Christmas Cheer."

Miss Jane Littlepage, a member of the Group, rendered two

vocal selections, followed by a Floor Show by Lilius Courtney School of the Dance.

C. S. Allen, president of the Louisville Association was introduced, and several other members of the Board of Directors were present, and participated in the games, which concluded the program. A number of member firms donated valuable prizes, which contributed largely to the success of the party.

Miss Alleen Harrison of Tafel Electric Co., a member of the National Credit Women's Executive Committee, assisted the Committee in preparing the program.

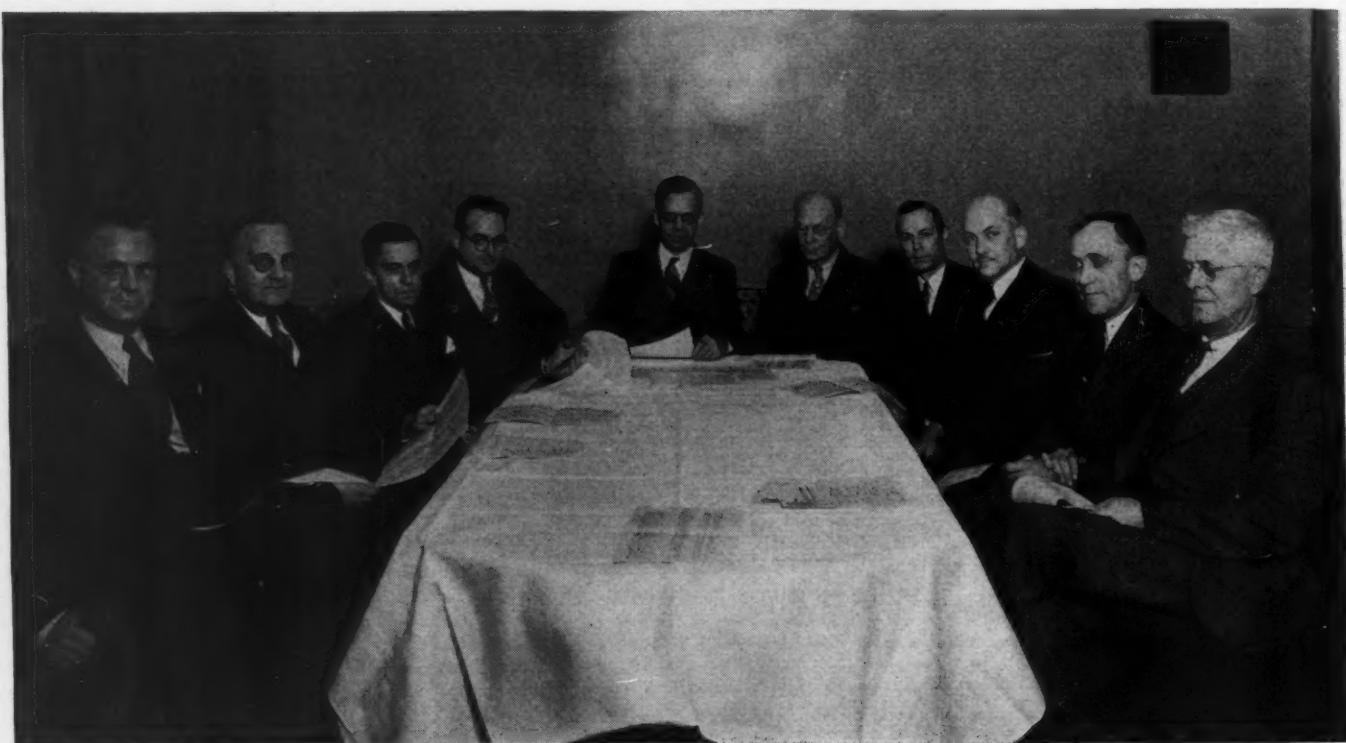
### NEW LETTER CONTEST

If you are a good letter writer, why not compete for the \$25 prize announced on page 10?

## Memorandum, Subject For Forum Session by Baltimore Fraternity

Baltimore.—The Credit Fraternity of Baltimore, affiliated with the Baltimore Association of Credit Men for Social and educational activities, will hold a special forum meeting on Thursday, January 14th at Mount Royal Hotel, to discuss the now famous "memorandum" printed on page 7 of the December issue of Credit and Financial Management. The memorandum itself will be the basis for short talks by members of the forum group. The general subject of the meeting under the direction of Mr. Harry F. Leeks.

## In Kansas City:- The Men Behind the Association



The Board of Directors of the Kansas City Association of Credit Men

From left to right: J. B. Nourse, A. J. Stephens & Company; A. E. Adam, McPike Drug Co.; A. G. Loeffler, Procter & Gamble Distributing Co.; J. B. Kerrigan, H. T. Poindexter & Sons Mdse Co., 1st Vice-President; R. E. Weesner, Richards & Conover Hdwe. Co., President; O. A. Teague, Schooley Printing & Stationery Co., Treasurer; L. C. Smith, Secretary; J. D. Powell, Skelly Oil Co.; T. G. Casley, Stowe Hdwe. & Supply Co.; L. C. Stump, The S. W. Noggle Co.

The Kansas City Association of Credit Men was among the first to endorse National Credit Interchange Service. It has continued its interest unabated. Obviously, more than the mere tabulating and issuing of reports is involved.

The giver of information often profits in a greater degree than the recipient in an exchange of information between

creditors. If this were not true, the value of the exchange would be limited. And it is on this principle that the Association can and does base its policy that an exchange of information such as Credit Interchange Service provides should be maintained by and through an organization owned by the creditors.

The expectation of paying a

profit to anyone for protecting ones interest by the giving of information to others cannot be reconciled with the principles involved. Thus, Kansas City, like other Associations, maintains its own Credit Interchange Bureau in the belief that the best interests of all are served by a single medium for exchange of information within the Association itself.

## Brister Heads New Orleans Officer's Slate

New Orleans.—The New Orleans Credit Men's Association held its annual stockholders meeting and election of officers on January 12, at which the following Directors were elected to serve for the year 1937.

G. E. Brister, Credit Manager, American Sugar Refg. Co.; W. J. Hugo, Credit Manager, Gulf Refining Co.; E. P. Johnson, Credit Manager, Armour and Company; Peter Jung, Jr., Vice-President and Secretary, Crescent Bed Co.; C. A. Kepper, Credit Manager, Gerde, Neman and Co.; E. J. Marks, President, Reliance Mch. and Sup. Co.; D. H. McCooe, Credit Manager, Loose Wiles Biscuit Co.; J. A. Monier, Jr., Credit Manager, Wesson Oil and Snowdrift Sales; W. C. Muller, Secretary-Treasurer, Muller Furniture Mfg. Co.; R. A. Piske, Credit Manager, Jaubert Brothers Co.; V. R. Redmond, President & General Mgr., B. V. Redmond and Sons; A. A. Robbert, Asst. Secty. and Credit Manager, C. T. Patterson and Co.; M. S. Rothschild, Credit Manager, I. L. Lyons and Co.; A. P. Spaar, Credit Manager, Woodward Wight and Co.; J. Henry Warner, Vice-President and Treasurer, Kohlman Bros. and Sugarmann.

The following officers were elected:

G. E. Brister, President; J. A. Monier, Jr., Vice-President; Charles G. Cobb, Secretary Treasurer.

Mr. R. L. Simpson, retiring President, was extended a vote of thanks for his deep interest and earnest effort in association

### "1937 Credit Congress Notes"

Chicago.—Chairman, Allen Selby, Credit Manager, The Chicago Daily News, announces the following appointments:

S. L. Kroneberger, Bernard Umann Co. Inc., San Francisco, California, as national vice-chairman, western division of the Dry Goods and Men's Wear Credit Group.

F. J. Bapst, Star Peerless Wall Paper Mills, Joliet, Illinois, as national vice-chairman of the Wall Paper Credit Group.

Frank S. Withers, The Sweet Candy Company, Salt Lake City, Utah, as national vice-chairman, western division Confectionery Manufacturers Credit Group.

Albert R. Foster, San Diego, California, Consolidated Gas and Electric Company, San Diego, California, as national vice-chairman, western division, Public Utilities Credit Group.

Frank A. Meyer, Crane Company, Chicago, Illinois, as national vice-chairman, Plumbing and Heating Credit Group.

C. E. Mann, Munsingwear Corporation, Minneapolis, Minnesota, national chairman Dry Goods and Men's Wear Credit Group, has

sent in a very interesting program for that group.

Carl G. Lueders, Sunnyside Oil Company, Chicago, national chairman, trade sales division of the Paint, Varnish and Lacquer Credit Group and R. W. Forwood, Consumers Power Company, Grand Rapids, Michigan, national Chairman of Public Utilities, have sent advanced credit group releases to their trade papers and their efforts will no doubt attract a large attendance of credit representatives from those industries.

In next month's issue, we hope to print as many group programs as space will permit.

Corrections in January article:

J. J. Kassenbrock, Norwich *Pharmacal* Company, national vice-chairman, Drug and Chemical Manufacturers Credit Group.

F. O. Riebold, National Enameling and Stamping Company, Milwaukee, Wisconsin, national vice-chairman, Hardware Manufacturers Credit Group.

Harry Krueger, *Kamm's* Beer Company, Chicago, national vice-chairman, Brewers and Beer Distributors' Credit Group.

## Wm. Rohs Tops Big Paint Body of N.Y.C.M.A.

New York.—William Rohs, Colonial Works, is the new President of the Paint & Allied Industries Credit Association, one of the most active groups associated with the New York Credit Men's Association.

Other officers named at the



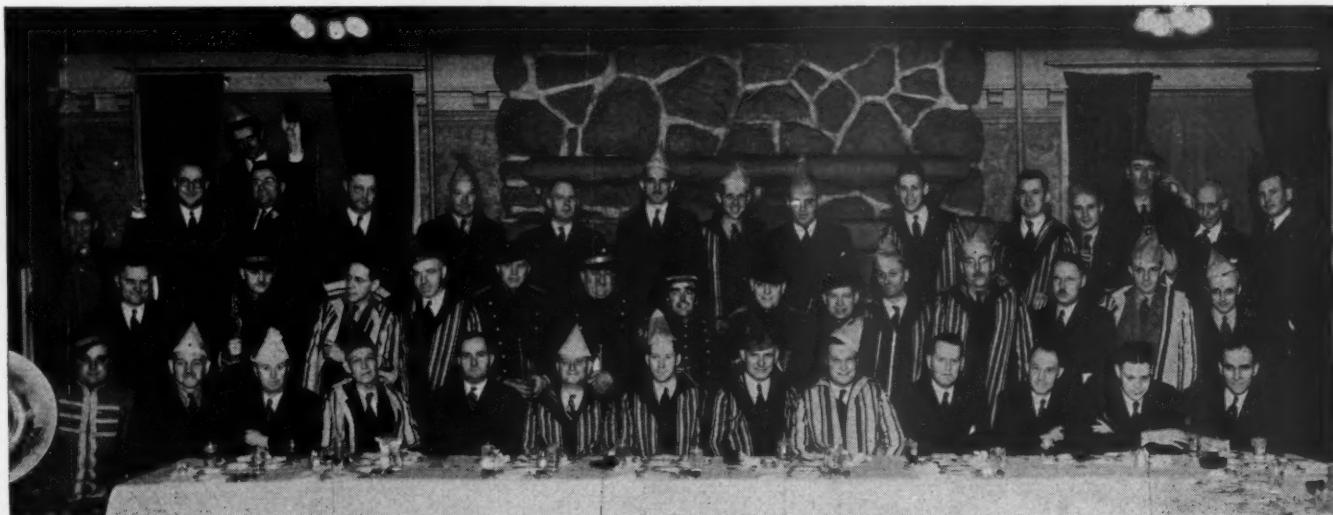
annual meeting held on Tuesday, January 12th at the Building Trades Club, 2 Park Avenue, were: Martin B. Weinstock, M. J. Merkin Paint Co., Inc., 1st vice president; John C. Ball, M. Ewing Fox Co., Inc., 2nd vice president; Victor Isaacs, Central Paint & Varnish Works, treasurer.

T. H. Kleine, retiring President of the Paint & Allied Group, was presented with a traveling bag as a token of appreciation of his successful leadership during the past year.

Reports presented at this annual meeting indicated that the activities of the group during the past year had been especially valuable to the executives.

**Turn to page 10  
if you are interested in getting  
\$25 for your convention budget.**

Annual Roundup of Zebras of the Tacoma Herd when several were initiated.



# Data for your 1937 Credit Files

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